

# UNITED STATES INTERNATIONAL TRADE COMMISSION

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In the Matter of: ) Investigation Nos.:  
STRONTIUM CHROMATE FROM ) 731-TA-1422 AND 1423  
AUSTRIA AND FRANCE ) (PRELIMINARY)

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1 UNITED STATES OF AMERICA  
2 BEFORE THE  
3 INTERNATIONAL TRADE COMMISSION  
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5 IN THE MATTER OF: ) Investigation Nos.:  
6 STRONTIUM CHROMATE FROM ) 731-TA-1422 AND 1423  
7 AUSTRIA AND FRANCE ) (PRELIMINARY)  
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Main Hearing Room (Room 101)

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U.S. International Trade

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Commission

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500 E Street, SW

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Washington, DC

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Wednesday, September 26, 2018

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The meeting commenced pursuant to notice at 9:30  
a.m., before the Investigative Staff of the United States  
International Trade Commission, Douglas Corkran, Supervisory  
Investigator, presiding.

1 APPEARANCES:

2 On behalf of the International Trade Commission:

3 Staff:

4 William R. Bishop, Supervisory Hearings and  
5 Information Officer

6 Sharon Bellamy, Records Management Specialist

7 Tyrell T. Burch, Program Support Specialist

8

9 Douglas Corkran, Supervisory Investigator

10 Kristina Lara, Investigator

11 Samantha DeCarlo, International Trade Analyst

12 Tana Von Kessler, Economist

13 David Goldfine, Attorney/Advisor

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1 APPEARANCE:

2 Opening Remarks:

3 In Support of Imposition (Jeffrey S. Neeley, Husch Blackwell  
4 LLP)

5 In Opposition to Imposition (Lizbeth Levinson, Fox  
6 Rothschild LLP)

7 In Support of the Imposition of Antidumping Duty Orders:

8 Husch Blackwell LLP

9 Washington, DC

10 on behalf of

11 WPC Technologies

12 Brent St. John, Chairman and Chief Executive Officer,

13 WPC Technologies

14 Laura Klein, Sales Director, WPC Technologies

15 Gary Krall, Consultant, WPC Technologies, Retired

16 Chief Financial Officer, WPC Technologies

17 Jeffrey S. Neeley and Stephen Brophy - Of Counsel

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1 APPEARANCES (Continued):

2 In Opposition to the Imposition of Antidumping Duty Orders:

3 Fox Rothschild LLP

4 Washington, DC

5 on behalf of

6 SNCZ

7 Claude Esselin, Sales and Marketing Manager, SNCZ

8 Mark A. Maroon, Chief Technology Officer, Maroon Group

9 LLC

10 Lizbeth Levinson - Of Counsel

11

12 Rebuttal/Closing Remarks:

13 In Support of Imposition (Jeffrey S. Neeley, Husch Blackwell

14 LLP)

15 In Opposition to Imposition (Lizbeth Levinson, Fox

16 Rothschild LLP)

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1                   P R O C E E D I N G S                   9:35 a.m.

2                   MR. BISHOP: Will the room please come to order?

3                   MR. CORKRAN: Good morning and welcome to the  
4           United States International Trade Commission's conference in  
5           connection with the preliminary phase of antidumping duty  
6           Investigation nos. 731-TA-1422 and 1423 concerning strontium  
7           chromate from Austria and France.

8                   My name is Douglas Corkran. I'm the supervisory  
9           Investigator for these investigations and I will preside at  
10          this conference. Among those present from the Commission  
11          Staff are from my far right Ms. Kristina Lara our  
12          Investigator; David Goldfine our Attorney Advisor; to my  
13          left Tana Von Kessler our Economist; and Samantha DeCarlo  
14          our Industry Analyst.

15                  I understand that parties are aware of the time  
16          allocations. Any questions regarding the time allocations  
17          should be directed with the Secretary. I would remind  
18          speakers not to refer in their remarks to business  
19          proprietary information. Please speak directly into the  
20          microphones. We also ask that you state your name and  
21          affiliation for the record before beginning your  
22          presentation or answering questions for the benefit of the  
23          court reporter.

24                  All witnesses must be sworn in before presenting  
25          testimony. Also, for planning purposes I just want to

1        announce that we will have a 15 minute break between Panels.  
2        Are there any questions? Mr. Secretary, are there any  
3        preliminary matters?

4                MR. BISHOP: Mr. Chairman, I would note that all  
5        witnesses for today's hearing have been sworn in. There are  
6        no other preliminary matters.

7                MR. CORKRAN: Very well. Let us begin with  
8        opening remarks.

9                MR. BISHOP: Opening remarks on behalf of those  
10       in support of imposition will be given by Jeffrey S. Neeley  
11       of Husch Blackwell. Mr. Neeley, you have five minutes.

12                                STATEMENT OF JEFFREY S. NEELEY

13                MR. NEELEY: Good morning. I'm Jeff Neeley from  
14       Husch Blackwell. Thinking about this case, before we filed  
15       it and after we filed it, I was kind of drawn back. This is  
16       kind of a classic dumping case. We don't see many of those  
17       anymore at the Commission or Commerce. It's not a  
18       non-market economy case; it's not terribly complicated.

19                It's against European countries which is a bit  
20       unusual. It is not complicated for several reasons but one  
21       reason it's not complicated is it's not a very complicated  
22       industry. There are only really three players in the United  
23       States, our client WPC Technologies, SNCZ who is here and  
24       Habich who is not here.

25                So if one particular company loses market share

1 the other gains it. There are no real competitive products  
2 and it's a pretty straightforward case. It's a little hard  
3 to talk about in a hearing like this because pretty much  
4 everything is confidential, obviously. So we are not going  
5 to be able to the details we would get into in some cases  
6 and frankly our presentation today will be a little short  
7 because of that.

8 We will try to lay out what our case is in a  
9 succinct way and open it up for questions. We have three  
10 witnesses and all of them are very knowledgeable in the  
11 industry so I think we can answer any questions and if we  
12 can't do it here we will of course be glad to do it in  
13 post-conference briefs.

14 What we have here is a situation where volume is  
15 increased, prices fell and the financial situation and other  
16 indices of injury for the U.S. Industry are severe and  
17 perhaps could even be said to be dire. This is a commodity  
18 product and it is price-driven. There is no other  
19 explanation for what's been going on in terms of volume in  
20 the market other than price.

21 We're going to hear today from the French  
22 Producers and their distributor but I would say that if we  
23 hear that they compete on anything other than price, I would  
24 be very skeptical of those sort of stories because that is  
25 simply not the case, it's a commodity product and pretty

1 much everybody knows that. You cannot gain market share in  
2 a commodity product if you're a foreign company by charging  
3 higher prices, you can't do it in any other way other than  
4 the price.

5 It's significant of course on who's not here  
6 today, the Austrians. In a way, it's been interesting that  
7 they are not here because they, after all in some ways have  
8 driven the prices down. I'm sure that we'll here that  
9 probably from the French Producers, French Producer I should  
10 say.

11 The Austrians have been the most aggressive;  
12 there is no doubt about it. You see it in the volume; you  
13 see it in the price. That's all well and good. I think  
14 frankly the Austrians probably didn't have much of a story  
15 to tell and that's why they didn't show up. We'll see.

16 Maybe they'll file a post-conference brief, it's  
17 possible, but if they do I would question why they didn't  
18 show up and answer your questions. We will see what  
19 happens. They've probably just decided they will move on  
20 and defend it to Commerce because there is not a whole lot  
21 to say on the injury issue.

22 The French Producer has come here to testify and  
23 we will hear what they have to say. Frankly, they have been  
24 a tagalong. They have not driven the prices the same way as  
25 the Austrians. We would agree with that but they have had

1 very low prices and they have been competitive and they have  
2 sold at less value and they have been injurious, frankly, on  
3 their own to our company.

4 We don't have to show any of that. The statute  
5 is very clear. The statutory requirements have been met.  
6 They're competitive products with us; they're competitive  
7 products with the Austrians. All other statutory  
8 requirements have been met for cumulation. Many exceptions  
9 apply.

10 So if you find that the Austrians have been even  
11 more of a cause than the French, so what. The fact is under  
12 the statute you need to cumulate and you need to find a  
13 reasonable indication of material injury. With that, I  
14 think I will leave it. We will hear from the witness and we  
15 will welcome your questions. Thank you.

16 MR. BISHOP: Thank you, Mr. Neeley. Opening  
17 remarks on behalf of those in opposition to imposition will  
18 be given by Lizbeth Levinson of Fox Rothschild. Ms.  
19 Levinson, you have five minutes.

20 STATEMENT OF LIZBETH LEVINSON

21 MS. LEVINSON: Good morning. This is Lizbeth  
22 Levinson. I'm a partner with the law firm of Fox  
23 Rothschild. I'm here presenting the sole exporter and  
24 manufacturer of strontium chromate from France, SNCZ. We  
25 strongly oppose the petition.

1           Despite the admittedly low legal threshold for an  
2       affirmative preliminary determination, the Commission should  
3       nevertheless make a finding here that there is no reasonable  
4       indication of material injury or threat thereof in this  
5       case. The record before the Commission fails to support an  
6       affirmative injury determination.

7           In this regard I think you will find our witness'  
8       testimony extremely interesting. SCNZ will present two  
9       witnesses this morning, Claude Esselin the Sales and  
10      Marketing Manager of SNCZ will testify as will Mark Maroon,  
11      the Chief Technology officer of Maroon Group, LLC the  
12      primary importer and distributor of strontium chromate from  
13      France.

14           These gentlemen, both with decades of experience  
15      in this industry will tell the very interesting story of how  
16      and why SNCZ became an established supplier in the United  
17      States beginning in 2015. Until 2015 the four major  
18      customers of strontium chromate in the United States relied  
19      virtually exclusively on domestic supply.

20           However, a major problem for WCPC the Petitioner  
21      arose in 2015 when it moved its factory from its downtown  
22      Milwaukee location to Oak Creek, Wisconsin. Knowing that  
23      there would be significant downtime attributable to the  
24      move, the company had set aside inventory in order to supply  
25      its customers during the transition period.

1           WPC planned on relying on production from the new  
2     plant as of October 2015. Things did not go as planned  
3     however and the new plant was not producing in commercial  
4     quantities as WPC had hoped until much later, March 2016  
5     when the original date contemplated was October 2015.

6           In the meantime, there was a disastrous  
7     development. WPC simply ran out of inventory and was unable  
8     to supply longstanding customer because it had little or no  
9     production.

10    Panic ensued as customers realized that their sole supplier  
11    WPC could not satisfy their supply needs.

12           Longstanding customers of WPC and even WPC itself  
13    were left high and dry and customers reached out to SNCZ and  
14    probably Habich in desperation for product. As Mr. Esselin  
15    will tell you, the situation was so desperate that certain  
16    customers like PPG Industries who had previously relied on  
17    WPC until then actually paid exorbitant costs to have  
18    strontium chromate shipped by air to the United States.

19           In some cases the prices of strontium chromate  
20    increased by three times due to the air freight costs. For  
21    SNCZ and probably for Habich this turn of events provided an  
22    invaluable opportunity to introduce themselves to the U.S.  
23    Market and to U.S. customers.

24           This significant opportunity to become a  
25    recurrent supplier in the United States arose not because

1        SNCZ or Habich pursued an aggressive pricing strategy as  
2        Petitioners would have you believe, but instead the  
3        opportunity arose because WPC committed serious business  
4        mistakes in launching its new manufacturing facility. SNCZ  
5        and probably Habich rescued U.S. Customers in 2015 and 2016  
6        when WPC simply could not provide product.

7                These customers learned their lesson the hard way  
8        and vowed never again to rely on a single supplier. The  
9        unfortunate series of events for WPC allowed SNCZ to enter  
10       the U.S. Market in a meaningful way in 2015 and 2016 and  
11       convinced U.S. customers that it was absolutely necessary to  
12       have multiple sources of supply.

13               Based on the testimony that you will hear today,  
14       we urge the Commission to reach a negative determination on  
15       the grounds that there is no reasonable indication of  
16       material injury or threat thereof on this administrative  
17       record. Thank you very much.

18               MR. BIHOP: Thank you, Ms. Levinson. Would the  
19       Panel in support of the imposition of the antidumping duty  
20       orders please come forward and be seated. Mr. Chairman,  
21       this Panel has 60 minutes for their direct testimony.

22               MR. NEELEY: Just as an introduction we are going  
23       to have two witnesses today Brent St. John and then Laura  
24       Klein. Mr. Crall is here also. Mr. Crall is also very  
25       experienced in this industry and very knowledgeable. He is

1 here to basically answer questions. We don't want to take a  
2 huge amount of your time and we are really more anxious to  
3 hear whatever questions you might have.

4 So, with that I will turn it over to Brent and  
5 then Laura.

6 STATEMENT OF BRENT ST. JOHN

7 MR. ST. JOHN: Good morning. I'm Brent St. John,  
8 Chairman and CEO of Lumamove Incorporated doing business as  
9 WPC Technologies. More commonly in the marketplace we are  
10 known as WPC. I've been Chairman since May of 2000. We're  
11 located in Oak Creek, Wisconsin, a suburb of Milwaukee and  
12 have been in operation since 1975 and to the best of our  
13 knowledge we are the only major producer of strontium  
14 chromate in the United States.

15 Strontium chromate is the core product of WPC.  
16 Strontium chromate refers to a chemical compound that is a  
17 yellow powder or granular solid that is insoluble in water.  
18 Its chemical formula is SRCR04. We generally refer to two  
19 types of strontium chromate products. The first is referred  
20 to as our powder, is granular; the second is just referred  
21 to as dispersion or paste.

22 The basic product is powder which is combined  
23 with various products to make dispersion products.  
24 Strontium chromate is made from the reaction of strontium  
25 salt with chromate or more commonly strontium chromate with

1 sodium dichromate. Strontium chromate corrosion inhibitors  
2 are environmentally hazardous and safety standards are quite  
3 high and thus there are very few strontium producers in the  
4 world.

5 Strontium chromate is a very  
6 effective erosion inhibitor since it is the most effective  
7 pigment-grade inhibitory, chromium based inhibitive pigments  
8 for coil, air craft and general primer coating applications  
9 are very common.

10 Strontium chromate is widely used as a corrosion-resistant  
11 pigment in paints and coatings. It's compatible with many  
12 binder systems. Strontium chromate is used as a coating for  
13 the protection of steel, aluminum and its alloys.

14 There are only three producers of strontium  
15 chromate of any significance in the U.S. Market. It is  
16 ourselves WPC, Habich of Austria and SNCZ of France. In  
17 2016 we did open a newly renovated 80,000 square foot  
18 manufacturing facility in Oak Creek. We began that move in  
19 2015.

20 The new facility incorporates upgrades that were  
21 needed for more efficient production, increased worker  
22 safety and approved finished product storage and handling.  
23 The previous facility had been in downtown Milwaukee since  
24 the founding of the company and we strongly believed that a  
25 new facility was necessary to remain competitive and serve  
our customers well.

1           Shareholders of WPC have spent a very substantial  
2     investment to modernize, upgrade and move to this facility.  
3     We have not brought this case without a great deal of  
4     thought. We would prefer to compete with Habich and SNCZ as  
5     we traditionally have, based on reasonable and fair prices  
6     and good service and not be involved in trade litigation but  
7     we felt we had no choice but to bring this case because of  
8     the unrelenting, unfair prices from both companies.

9           We brought these cases simply to sustain our  
10    business in the face of this assault and we owe it to all of  
11    our employees and our shareholders to fight back against  
12    these unfair acts. I think that any CEP in the same  
13    position would do the same thing that I have.

14           I'm sure that you will hear today and you did  
15    already in the opening arguments about our shutdown in 2015  
16    and 2016. I want to be upfront that the shutdown did take  
17    longer than expected.

18           We had built up substantial pre-build inventories  
19    to cover all of our customers in anticipation of the move in  
20    order to serve our customers without interruption but when  
21    the shutdown took about one calendar quarter longer than we  
22    had anticipated we needed to purchase additional product  
23    from our competitor, the Austrian producer Habich in order  
24    to ensure that our customers had product.

25           We lost money on these purchases and resales from

1 Habich but serving our U.S. customers was the most important  
2 goal and we felt that we accomplished that. Both Habich and  
3 the French Producer SNCZ have been competitors of WPC in the  
4 market for many years. While '15 and '16 were unusual years  
5 because of the move, the disruptions caused by the move were  
6 behind us by the first quarter of 2016.

7           However, since that time the behavior of both  
8 Habich and SNCZ have become far more aggressive in terms of  
9 price and the result is apparent in the terms of the  
10 increased market shares for both companies. For a commodity  
11 product such as strontium chromate price is by far the most  
12 important factor for our customers. It is not surprising to  
13 us that our customers bought the Austrian and French  
14 products when offered these extremely low prices, which show  
15 are well below fair value in our Petition.

16           These unfairly low prices are purely the fault of  
17 the Austrian and French Producers who clearly decided that  
18 dumping their excess capacity on the U.S. Market was a way  
19 to cover their fixed costs at our expense. As the  
20 Commission knows, in most chemical industries including  
21 strontium chromate high fixed costs means that it is  
22 critical for efficiency for competitors to run their plants  
23 at high capacity utilization rates.

24           The unfairly priced imports from Austria and  
25 France have been achieving a capacity utilization rate that

1 leads to profitability impossible for WPC. The injury to  
2 WPC because of the unfairly traded imports from Austria and  
3 France is shown in our questionnaire responses and in the  
4 Petition. The exact information is confidential but the  
5 injury seems to be obvious. Our profits have fallen  
6 dramatically when they should have been stable or even  
7 rising after the move was completed in 2016.

8 The years 2017 and 2018 have been devastating to  
9 WPC and there is only one reason, unfairly low pricing from  
10 Austria and France. Laura Klein, WPC Sales Director will  
11 discuss the pricing situation in detail in a few minutes but  
12 first I would like to go over some of the import data that  
13 indicate the surging strontium chromate imports from Austria  
14 and France and also show the trend in pricing.

15 In Exhibit 1 I believe, which is based on public  
16 import data from Dataweb for the period of investigation for  
17 the powder imports. The category we have shown appears to  
18 account for virtually all of the imports of powder imports  
19 on strontium chromate in powder form.

20 Dispersions enter the market in other categories  
21 otherwise sometimes which include other imports and are a  
22 little more difficult to track but I understand the  
23 Commission will have information on actual imports so we  
24 will have more information on pricing of that. However the  
25 imports we show on these charts are most of the volume of

1 strontium chromate imports and definitely show the trend we  
2 are experiencing which has been devastating.

3 The volumes of imports rose in 2016 in part  
4 because of our transition to our new facility but then take  
5 a look at the volumes in 2017 and the first half of 2018.  
6 We had the new facility fully up and running in the 2nd  
7 quarter of 2016 yet import volumes from Austria were much  
8 higher in 2017 than they were in 2016 and France was nearly  
9 the same level as 2016.

10 The situation has gotten even worse in 2018. The  
11 volume of imports from Austria for the first half of 2018  
12 were over 15 percent higher than they were in 2017 and the  
13 2017 imports were already at record high levels. For  
14 France, the percentage increase of over 17 percent from the  
15 first half of 2017 to the first half of 2018 was an even  
16 sharper percentage increase than from Austria.

17 We can see volumes of imports from France go up  
18 in 2016 as prices go down from France, which is a direct  
19 correlation. The reason for the surges in volumes is price.  
20 As shown in the chart the average entered volume for the  
21 Austrian product was over 9 percent lower than in 2015 but  
22 even more importantly almost 16 percent lower than the  
23 average year of 2013 prices.

24 The same pattern holds for France but with even  
25 more dramatic drops in prices in 2015. Prices from France

1 are shown as almost 34 percent lower in the first half of  
2 2018 compared to calendar year 2015. Laura will discuss  
3 more details in pricing we are seeing in the marketplace but  
4 I think these overall figures give you a good idea of what  
5 has been happening with import volumes and the reasons for  
6 the surge. It has purely been driven by lower and lower  
7 prices.

8 As CEO I had to make the decision the last few  
9 years whether to compete on price, regardless of financial  
10 effects or lose volume. While we did see price erosion in  
11 that period, the volume effects have been devastating as we  
12 mainly held price. The loss of volume has badly hurt our  
13 volume line and our capacity utilization has been driving up  
14 our fixed cost per unit.

15 While the exact effects on WPC are confidential,  
16 there's no doubt that the financial and other impacts we are  
17 suffering are unsustainable. We have modernized our plant  
18 in order to be competitive and efficient. We have provided  
19 good jobs with good wages and benefits in the Milwaukee  
20 area. We are the only U.S. Producer of strontium chromate.  
21 We have a good quality product that is important to our  
22 customers but these customers are being offered prices that  
23 are at historic lows and too good to be true, but they are  
24 true and they have been sold at less than fair value.

25 Relief under the antidumping law is our only hope

1 to get prices from the producers in Austria and France back  
2 up to fair pricing levels. You can look at our financials,  
3 look at the trends and how imports caused the downward  
4 trends and ask yourself how long a small company can sustain  
5 this situation. I think that when you do you will agree  
6 there is an overwhelming show of material injury to the U.S.  
7 Industry by reason of the Strontium chromate imports from  
8 Austria and France. Thank you.

9 MS. KLEIN: Is that better?

10 MR. BISHOP: That's much better, thank you.

11 STATEMENT OF LAURA KLEIN

12 MS. KLEIN: I can start over. Good morning. My name  
13 is Laura Klein and I have been the Sales Director at WPC  
14 since 2016. Prior to starting my current position, I was  
15 the Business Support Assistant at WPC starting in 2014.

16 Our sales force sells strontium chromate mainly  
17 to paint producers throughout the United States, and also to  
18 our network of distributors. Generally we sell directly to  
19 the largest customers and our distributors sell to smaller  
20 customers.

21 WPC sells both powder and dispersion forms of  
22 strontium chromate, but most of our customers demand  
23 strontium chromate powder. A few customers require the  
24 higher priced dispersions due to the nature of their  
25 production processes. Strontium chromate is a commodity

1 product and competition is virtually always based on price.

2 The strontium chromate that we sell competes  
3 directly with strontium chromate imported from Austria and  
4 France, most of which is in powder form. The importer  
5 products are entirely interchangeable with ours, and are  
6 used by the same customers in the same applications.

7 You might think we would have an advantage in  
8 delivery time, but Austrian and French producers have  
9 distributors with warehouses in the United States to store  
10 imported product that can supply our customers just as fast.  
11 Nor does WPC have any contracts. Sales are made and prices  
12 are set transaction-by-transaction.

13 Austrian and French producers have repeatedly  
14 lowered prices since I started working for WPC. As a  
15 result, our prices have fallen, and many of our customers  
16 have significantly reduced the volumes they purchase from  
17 us.

18 In 2016 we were selling strontium chromate powder  
19 to our two largest customers at approximately \$1.69 to \$1.79  
20 per pound. Today we are selling the same product to these  
21 customers at \$1.55 to \$1.60 per pound, and we are still  
22 losing volume to imports.

23 For our largest volume dispersion customer  
24 customers, prices fell from \$2.65 per pound in 2016 to \$2.20  
25 per pound at the beginning of 2018. We lost the business

1 entirely to lower priced imports from Austria.

2 We are also facing pressure on prices from our  
3 distributors who also have to compete with low-priced  
4 imports from Austria and France.

5 Price competition has been fierce with Habich  
6 offering the lowest prices, and SNCZ following them down.  
7 My conversations with customers are always the same. They  
8 tell me that our prices are uncompetitive, or not in the  
9 ballpark, and that we need to significantly lower our price  
10 in order to be competitive.

11 Earlier this year, February exactly, one of our  
12 customers told us that we would have to be below \$1.50 per  
13 pound for powder in order to be competitive with imports.

14 As an example of how fierce price competition has  
15 become, we understand that within the last year SNCZ lost  
16 business to one U.S. customer, Habich, based on a one-cent  
17 difference in price. We used to be the primary supplier to  
18 that customer, but now we are just a backup supplier.

19 We do not object to competition, but we cannot  
20 compete with these unfairly priced dumped imports, and we  
21 respectfully ask the Commission to reach an affirmative  
22 determination to create a level playing field in the U.S.  
23 market.

24 Thank you, and I'd be happy to answer any  
25 questions.

1                   MR. NEELEY: As I said, we were going to be  
2                   brief, and we have been. We welcome your questions.

3                   MR. CORKRAN: Thank you very much. Thank you to  
4                   the panel for your presentation today. It's been very  
5                   helpful.

6                   We will begin questioning with Ms. Lara.

7                   MS. LARA: Can you hear me? Can you please give  
8                   us the exact dates, or at least months, of the shutdown of  
9                   the old facility and when the new facility began production?

10                  MR. ST. JOHN: Absolutely. We shut down mid-two  
11                  thousand--or March of 2015. June of 2015, I'm being  
12                  corrected, that's the way we run the company here, June of  
13                  2015. The plan was for about a six-month shutdown, and we  
14                  prebuilt what we felt was about nine months of inventory to  
15                  start with. And we evaluated a lot of different options on  
16                  how to handle this shutdown.

17                  You know, we got involved early on. We knew we  
18                  had to move from the old plant to the new plant. The  
19                  neighborhood in Milwaukee, the old plant was just ancient,  
20                  (a). (B), the neighborhood was changing, more residential,  
21                  and all the industrial companies were fleeing. So we had a  
22                  very good situation in Oak Creek, Wisconsin.

23                  So we had planned on about a six-month shutdown,  
24                  built about nine months' worth of inventory. So when we  
25                  shut down, most of the mechanical things went really well.

1       The one delay, which delayed us a quarter, was an air permit  
2       from the Wisconsin DNR, which was almost just purely a  
3       bureaucratic delay, which is extremely frustrating for us.  
4       In the fall of 2015 is we knew we would probably not get up  
5       and running, and we did get up and running by March of 2016.  
6       We started to evaluate other ways to supply product to our  
7       customers, and that's why we reached out to actually both  
8       competitors, and Habich agreed that they would sell us some  
9       product to help supply our customers and get them through  
10      the period.

11               So the answer to your question is: We shut down  
12      in June of 2015 and began operation in March of '16.

13               MS. LARA: Thank you. And now that you guys have  
14      seen our questionnaires coming in, I just wanted to know if  
15      you guys had any comments or concerns about importer  
16      coverage?

17               MR. NEELEY: We've only seen a few importer  
18      questionnaires at this point. We haven't compiled  
19      everything and analyzed it because we just got it yesterday.  
20      So we haven't had a whole lot of time, but it looked pretty  
21      slim at first glance. So we're going to continue to work on  
22      that, and obviously we'll have a lot of comments in the  
23      brief.

24               MS. LARA: Okay. And are you aware of any  
25      third-country antidumping or CVD orders that France and

1 Austria are subject to for strontium chromate?

2 MR. NEELEY: No.

3 MS. LARA: Those are all the questions I have for  
4 now.

5 MR. CORKRAN: Thank you. We'll turn to Mr.  
6 Goldfine next.

7 MR. GOLDFINE: Good morning. Thank you all for  
8 your testimony and for participating today.

9 I had a question--most of my questions are going  
10 to be for Mr. Neeley and Mr. Brophy, but to the extent the  
11 witnesses want to chime in, please feel free to do so.

12 On like-product, you're arguing for one  
13 like-product. And I know you went through the six factors  
14 in the Petition. I guess in your post conference brief, if  
15 you could sort of focus on the powder versus paste, why  
16 that's--on each factor, why it's all one like-product.

17 MR. NEELEY: Sure. Be glad to do that.

18 MR. GOLDFINE: That would be helpful.

19 And on page 17 of the Petition, I know there's a  
20 statement that, while there is one company--this is all  
21 public, what I'm reading--while there's one company that  
22 performs one, some contracted function, it is not a producer  
23 of the subject merchandise and never has been.

24 And my understanding is they're producing the  
25 paste form?

1                   MR. NEELEY: Well what happens is, and, you know,  
2   Brent can jump in--

3                   MR. GOLDFINE: Let me just--

4                   MR. NEELEY: Oh, I'm sorry--

5                   MR. GOLDFINE: The thesis for my question is, you  
6   know that--is there an issue here, and it may be a  
7   formality, maybe you have some good answer for this, but  
8   under the test for whether there are sufficient production  
9   related activities, whether this converter is a producer.  
10   And as you know, the Commission has a six-factor test for  
11   that value-added source and extent of investment. I can run  
12   through the factors, but you're probably familiar with that.

13                  So the question would be: Why are--if you could  
14   address in your postconference brief, why is that firm not a  
15   producer under the tests that the Commission uses for  
16   sufficient production?

17                  MR. NEELEY: Sure. I think it's probably  
18   something that's best addressed in a postconference brief.  
19   For one thing, it involves some confidential information  
20   about production and things like that. So, yeah, we will be  
21   glad to do that.

22                  MR. GOLDFINE: But if there's something--I know I  
23   cut you off.

24                  MR. NEELEY: No, no, I was just saying that the--  
25   you know, obviously we thought about this and, you know,

1 we've concluded that there's--you know, that they're not a  
2 separate producer. They're really just as if they're part  
3 of our own production process, is the way that we treat it.

4 And I would say, furthermore, that, as Brent said  
5 in his testimony, the fundamental product here is the  
6 powder. And everything flows from the powder. And so while  
7 they're adding solvents, and they're doing the things to  
8 make dispersions, it's relatively minor compared to the  
9 product.

10 But, anyhow, it's probably best to address that  
11 in detail in the postconference brief.

12 MR. GOLDFINE: It sounds like your position is  
13 they are not a producer of the paste, because what they're  
14 doing is there's not much value-added? Is that what you're  
15 saying?

16 MR. NEELEY: There's relatively little value added  
17 to that.

18 MR. GOLDFINE: But if you could focus on the  
19 factors we've looked at, that would be helpful.

20 MR. NEELEY: I will do that.

21 MR. GOLDFINE: And there's no related-parties  
22 issues in this investigation?

23 MR. NEELEY: No.

24 MR. GOLDFINE: And on the cumulation issue, I  
25 know you went through that in the Petition also, but

1 particularly on the fungibility factor, if you could in the  
2 postconference more specify the differences between why  
3 Austria and France are fungible, I guess. Your position is  
4 they should be cumulated.

5 MR. NEELEY: Got it.

6 MR. GOLDFINE: So with that, and also in the  
7 geographic and then the channels, those two factors.  
8 There's some statements in the Petition, and if you could  
9 provide some more specificity as to why that all supports  
10 cumulation, that would be helpful.

11 MR. NEELEY: Right. Be glad to do that.

12 MR. GOLDFINE: Okay. And then on the supply, we  
13 heard a little from the Respondents on the supply shortfall  
14 issue. And is it your position that there was--that the  
15 domestic industry could supply the market in every single  
16 part of the POI here? Is it '15, '16, '17, and interim '18?

17 MR. NEELEY: No. I mean I think what Mr. St.  
18 John said was, you know, clearly we were not able to supply  
19 the market in some periods, even with our own goods, and we  
20 sought product from Habich back in 2016.

21 I think the problem that the French producers  
22 have, and probably the reason the Austrians didn't show up,  
23 is that we're not in 2016. You know, presently, that was--  
24 if we'd been talking here in September of 2016, they might  
25 have had a point. We're two years down the road. So we've

1       certainly been able in the last two years to supply the U.S.  
2       market.

3               MR. GOLDFINE:   So in 2017 and interim '18, you  
4       were able to supply the U.S. market?

5               MR. NEELEY:    Absolutely.

6               MR. GOLDFINE:   And I'm sure you'll provide ample  
7       support for that in your postconference brief.

8               Okay, thank you very much.   I don't have any  
9       other questions.

10              MR. CORKRAN:   Thank you, Mr. Goldfine.   Next  
11       we'll turn to Ms. Von Kessler.

12              MS. VON KESSLER:   Good morning, and thank you for  
13       coming and taking your time to answer our questions.   Again,  
14       if any of the responses require confidential information,  
15       please feel free to put it in the postconference brief.

16              First I'll start with the raw materials'  
17       questions.   On page 7 of the Petition it states that raw  
18       materials are sourced globally by all manufacturers, and the  
19       strontium material is primarily sourced from Mexico or  
20       Spain, while the chrome material is primarily sourced from  
21       South Africa and Turkey.

22              My question is: Are these the sources where the  
23       raw material is mined?   And do these sources also refine the  
24       mined ores into salts?   What do you mean by "chrome"?   Does  
25       that constitute any chromium-containing product?

1           MR. ST. JOHN: Okay, I'll answer the two main.  
2       Raw materials are strontium carbonate and mainly mined in  
3       Mexico, but also in Spain, and usually converted to a white  
4       powder generally on location by suppliers.

5           The chrome--you start with chrome ore which  
6       generally can come from South Africa or Turkey, and then is  
7       usually moved to another refining site to make a liquid  
8       strontium--excuse me, sodium dichromate. So our raw  
9       material moves from South Africa to the United States by our  
10      supplier and then shipped to us.

11           MS. VON KESSLER: As the liquid?

12           MR. ST. JOHN: As the liquid. We receive a  
13      liquid, yes, on that product.

14           MS. VON KESSLER: Okay, great. Let's see. Are  
15      there any other important feedstocks for the production of  
16      the sodium chromate--or strontium chromate?

17           MR. ST. JOHN: Those are the two really important  
18      and unique items. Other processing materials are fairly  
19      readily available and used in other industries, but those  
20      two are the very unique ones and the most important.

21           MS. VON KESSLER: Okay, how do you purchase your  
22      raw materials? Via contract, or spot sales?

23           MR. ST. JOHN: Both. I mean we have contracts  
24      for some, and other ones are just spot sales. It just  
25      depends on how critical it is, and if there's a single

1 source of supply we like to be smart and contract versus  
2 play the market.

3 MS. VON KESSLER: Okay. And are there any price  
4 indices that are used in the contracts for these materials?  
5 I'm having a little difficulty finding public price data.

6 MR. ST. JOHN: They are, because they're so  
7 seldom used materials. So, no, it's just historic pricing.  
8 I mean we've used the same suppliers for decades, and we're  
9 comfortable with our pricing and always have been. It's  
10 pretty sleepy. We're the regular customer. You know, it's  
11 a very unique product, and that's had no disruption at all.  
12 So I'm not surprised you couldn't find much.

13 MS. VON KESSLER: Okay, if at all possible, if  
14 you could provide some of that historical prices, either  
15 monthly, quarterly would be great, because we can't find  
16 anything publicly.

17 MR. ST. JOHN: Okay.

18 MR. NEELEY: How far back? Like 2013, '12? What  
19 works for you?

20 MS. VON KESSLER: At the beginning of our Period  
21 of Investigation, so January 2015, would be fine.

22 MR. NEELEY: Okay.

23 MR. ST. JOHN: We can do that.

24 MS. VON KESSLER: And how does the price of the  
25 raw materials affect the price of strontium chromate?

1           MR. ST. JOHN: I mean it's pretty direct from a  
2 raw materials' standpoint. I would say very direct. I mean  
3 it's a pretty important component, and I think as we started  
4 in our investigation, I mean our first thought was maybe  
5 there's a way that our competitors have significant raw  
6 material advantages. I believe in our opinion, in our  
7 homework that we did, that they do not; that we're all kind  
8 of in the same boat, so to speak, with raw materials.

9           MS. VON KESSLER: Okay. So in an ideal world you  
10 would be able to pass on those, any increases onto your  
11 customer?

12          MR. ST. JOHN: In an ideal world, passing along  
13 raw material increases is a wonderful place to be, and  
14 sometimes that's achievable, and sometimes not. Yes.

15          MS. VON KESSLER: Do you expect--what do you  
16 expect from the trends in the raw materials' prices in the  
17 next year or two?

18          MR. ST. JOHN: I think we feel pretty comfortable  
19 about the pricing of our two main materials going forward.  
20 It's some of the more out-of-the-blue smaller volume ones  
21 that--you know, I mean with the recent tariff activity last  
22 week, and a few things like that, that really are not to  
23 major raw materials because our two major raw materials we  
24 feel that we have locked up very well.

25          MS. VON KESSLER: Okay, and is there a general

1       increase or decrease over time? Or is it pretty stable?

2               MR. ST. JOHN: It's been a slight increase, and  
3       we provide the data. It hasn't been huge spikes, but I  
4       think the industry has had, as any industry, small raw  
5       material price increases over the last few years.

6               MS. VON KESSLER: Okay. And I may see this from  
7       the historical price data, but if there are any distinct  
8       differences in the price trends between the strontium  
9       carbonate and the sodium dichromate, that would be great to  
10      point out as well.

11              MR. ST. JOHN: Okay. I'll highlight those.

12              MS. VON KESSLER: Okay, thank you.

13              MR. ST. JOHN: Well said.

14              MS. VON KESSLER: What is the cost share of the  
15      end-use products attributable to strontium chromate?

16              MR. ST. JOHN: For our end customers?

17              MS. VON KESSLER: Yes. So the end--

18              MR. ST. JOHN: If a customer takes our product  
19      and makes something with it?

20              MS. VON KESSLER: Yes.

21              MR. ST. JOHN: You know, it's been difficult to  
22      discover, because every customer we have has proprietary  
23      paint formulations, and literally won't tell us. And I  
24      think in the Petition we put some general percentages we  
25      felt were, based on the performance of the product, how much

1       they probably are using, and we'll stick with those  
2       percentages.

3               MS. VON KESSLER:   Okay, great.   What types of  
4       firms are the major purchasers for strontium chromate and I  
5       think this morning Ms. Levinson mentioned there were four  
6       particular purchasers.   Is that still the case?   Or has the  
7       number of purchasers grown?

8               MR. ST. JOHN:   I'll answer because I have the  
9       microphone.   The question is who our customers are.   They're  
10      large customers.   They're the PPGs of the world:   Sherwin  
11      Williams, Valspar at the time, that kind of thing.  
12      Alternatively, a lot of smaller paint companies in the  
13      United States and worldwide that are serviced by  
14      distributors.

15              MR. NEELEY:   I think that's an important point,  
16      too, because it's not like they have one customer base and  
17      we have a completely different customer base, or Habich has  
18      a different customer base.   We're all competing for the same  
19      customer base, which is a pretty small customer base.

20              MS. VON KESSLER:   Okay.   And have there been any  
21      new purchaser entrants into the market since the beginning  
22      of the period?   Or have they been pretty consistent?

23              MR. ST. JOHN:   No.   I mean the only disruption is  
24      Sherwin Williams by Valspar, you know, but that didn't  
25      change the volume at all.   It just changed the relationship

1 a little bit. But, no, strontium chromate is needed in very  
2 standard applications from the airplanes you fly on, to  
3 metal products, and at most it moves at GDP or, you know,  
4 whatever the aerospace indices might be. So, a very stable  
5 industry.

6 MS. VON KESSLER: Okay. What factors do the  
7 purchasers consider when purchasing strontium chromate?  
8 What qualities or characteristics other than price are  
9 important to them?

10 MR. ST. JOHN: Probably none. I mean Laura and I  
11 can attest, especially the last three years, there's only  
12 one conversation, and that's price.

13 MS. VON KESSLER: Okay, but there's been  
14 conversation about how heavily regulated it is for safety.  
15 So are there certain things that you need to provide them to  
16 ensure the end-use product has been properly handled?

17 MR. ST. JOHN: Well we of course make sure that  
18 the way we produce our product fits all EPA, Wisconsin DNR  
19 applications. And basically I think as soon as we attest to  
20 that and make sure that we're making the product correctly,  
21 we meet the specs, it's been fine.

22 MS. VON KESSLER: Okay--

23 MR. ST. JOHN: So they understand that handling  
24 the product, they have some special procedures as well when  
25 they handle the product. Everybody knows what the way to

1 handle the product is, from full-face respirators, or  
2 whatever it might be, in their plant seminars. So everybody  
3 knows how to handle it correctly.

4 MS. VON KESSLER: Okay.

5 MS. KLEIN: Each of our customers, when we ship  
6 an order, receives a safety data sheet. So they have the  
7 proper precautions to take in dealing with the product  
8 specifically. And then, just adding to what Brent said,  
9 regarding the price, in any other customers the purchasers  
10 might look at packaging. That would be the other one.

11 MS. VON KESSLER: Okay.

12 And what forms of packaging. I think we have  
13 small bags, large bags in the paste. Is there anything else  
14 that they may ask for?

15 MS. KLEIN: Just to go over a couple of averages.  
16 So 50-pound bags, 25-kilogram pound bags, then we call them  
17 supersacks. You might see them on documents called "balk  
18 bags," so those are the same things. Those can come in  
19 various sizes from roughly 900 kilograms, 1,000 pounds, 453  
20 kilograms are quite common I've seen. But they do come in a  
21 variety of sizes based upon what the purchaser wishes to  
22 have.

23 MS. VON KESSLER: Okay.

24 How much of the market is accounted for by  
25 importers who use the product themselves and how much the

1 market is made up of importers who sell the strontium  
2 chromate to other firms, if you know.

3 MR. ST. JOHN: For the industry or for us or  
4 both.

5 MS. VON KESSLER: Both -- however much  
6 information you can give us.

7 MR. ST. JOHN: I mean what was our breakdown on  
8 the petition on distributor versus --

9 MR. NEELEY: Let's look at our petition and see,  
10 but we did a breakdown in the petition for, at least, our  
11 experience of distributors versus direct sales.

12 MS. VON KESSLER: Okay.

13 MR. NEELEY: So, we'll get back to you. Thank  
14 you.

15 MS. VON KESSLER: You have mentioned aerospace  
16 and general falling of GDP. Are there any other factors  
17 that drive demand? I believe in the petition you maybe  
18 mentioned industrial production. Are there certain  
19 industries we should be looking at to kind of see where end  
20 use demand trends maybe going?

21 MR. ST. JOHN: I would say the thing just falls  
22 in just general, durable goods and the production of those  
23 in the United States, so you know even durable goods that  
24 might use coil steel or so forth is the best indices that we  
25 use. It's pretty stable. I mean even through some economic

1       downturns in 2008 strontium chromate was still used and yes,  
2       it was at a lower level because of the economy, yes, but  
3       things were still being made and things still needed to have  
4       strontium chromate to prevent the corrosion.

5               MS. VON KESSLER: Okay. I also believe this is  
6       in the petition, but are there any substitutes for strontium  
7       chromate?

8               MR. ST. JOHN: I was telling the attorneys  
9       yesterday, who were asking the same question, that, yes,  
10      lead strontium chromate works really well, but no one wants  
11      to make that any more nor can. But strontium chromate is --  
12      you know it is the standard for corrosion. And for decades  
13      there have been projects -- in fact, we had a project with  
14      NAVAIR from 2004 to 2006 to come with an  
15      environmentally-friendly version of strontium chromate and  
16      we have a small product that does that, but the fundamental  
17      answer is it works 80 percent as good as strontium chromate.  
18      It is prohibitively expensive and strontium chromate is a  
19      very versatile material the can be used in many binder  
20      applications. And other than the handling thing, once it's  
21      on a coating, it works spectacularly. So, strontium  
22      chromate is the world standard for this.

23              MS. VON KESSLER: Okay. And I'm guessing would  
24      be how small the industry is with producers the availability  
25      of public price information is limited.

1                   MR. ST. JOHN: Correct. It is a small industry.  
2     We all know each other. We all know our customers. Even if  
3     you were to even look -- explain our business plan to  
4     someone else, I mean the world market is pretty small. This  
5     is not a huge market, but yet, strontium chromate is needed  
6     and required by all our customers and our experience during  
7     our shutdown as it did elevate those, as you heard earlier,  
8     that the market kind of found out that (A) this is more  
9     important than they thought to their production and you  
10    know we're not opposed to dual sourcing and we,  
11    unfortunately, opened the eyes to our customers that maybe  
12    they should do dual sourcing. We are not opposed to that.  
13    That's probably a smart thing to do.

14                   I think what the issue is is the pricing  
15    behaviors sets then and the role we've taken because of  
16    that, but it is a critical component to a lot of military  
17    applications and our customer commercial applications.

18                   MS. VON KESSLER: Okay. And my last question is  
19    about how representative our pricing products are. Are  
20    there any other products that your firm sells that are not  
21    encompassed in the pricing product definitions?

22                   MR. NEELEY: I guess what we need to do is to  
23    take a look at the percentages of our sales and give you an  
24    answer to that in a confidential -- you know in the brief  
25    probably.

1 MS. VON KESSLER: Okay, that would be great.

2 MR. NEELEY: Thanks.

3 MS. VON KESSLER: Thank you.

4 MR. CORKRAN: Thank you, Ms. Von Kessler. And  
5 we will now turn to Ms. DeCarlo.

6 MS. DeCARLO: Hi. Good morning. Thank you for  
7 coming here today. I just have a few questions about the  
8 product and the actual production. So, first of all, WC's  
9 production processes when you changed plant location did  
10 your production process change in any way.

11 MR. ST. JOHN: It did.

12 MS. DeCARLO: Okay.

13 MR. ST. JOHN: Exact same process.

14 MS. DeCARLO: Alright. And then the process  
15 that you use, since it is a small industry, globally, is  
16 there like this global standard of production for strontium  
17 chromate or can you not speak to that?

18 MR. ST. JOHN: We have limited knowledge of our  
19 competitors' processes. I would say, based on chemistry, we  
20 have to follow a similar one, but we feel that our  
21 proprietary process is more efficient than our competitors.

22 MS. DeCARLO: Okay.

23 MR. ST. JOHN: And we've used that process for  
24 at least 10 to 15 years I would say.

25 MS. DeCARLO: Alright. And then looking at your

1 website and everything, I see that there are other  
2 chrome-containing products that you use. Are these done on  
3 different production lines than the strontium chromate or  
4 can they be -- can strontium chromate be shut down and the  
5 other products be produced?

6 MR. ST. JOHN: No. There's some very smaller  
7 products that you probably saw and they're made on a small  
8 side production line. Our main chrome production line makes  
9 the products that are listed in the petition and its sole  
10 job.

11 MS. DeCARLO: Okay. In the petition, you state  
12 that there are no byproducts or waste materials and whatever  
13 is made gets recycled back into the system. I'm assuming  
14 those are salts that come out during the chemical reaction.  
15 Is that a correct assumption?

16 MR. ST. JOHN: It is. I mean nearly every  
17 byproduct we have is re-workable back into the system and  
18 that's one of the beauties of the production line. The only  
19 thing we might have is some treatable waste water which are  
20 more of the salts and that kind of thing and it's fully  
21 monitored and taken care of with a wet scrubber and all the  
22 requirements that we have to meet.

23 MS. DeCARLO: Okay. And then also in the  
24 petition it's stated that there is chromium trioxide in the  
25 final product, so strontium chromate has a CIS registry

1       number and chromium trioxide has a CIS registry number. Is  
2       there a CIS registry number for this mixture just from like  
3       a classification standpoint or is there terminology used or  
4       is it just strontium chromate describes this?

5               MR. ST JOHN: To my knowledge, strontium  
6       chromate describes it and that's industry standard.

7               MS. DeCARLO: Okay. Also, on your website the  
8       technical data sheets and everything there's ASTM standards  
9       listed with the products. One that seems to be present for  
10      the powder ones are ASTM D153. Is that just for powder  
11      products or is that a standard for powder and paste? And I  
12      know you have to pay for these type of things too, so you  
13      can answer in the post-conference brief.

14              MR. ST. JOHN: We could follow up on the  
15      briefing on that; is that okay.

16              MS. DeCARLO: Yes.

17              MR. ST. JOHN: First, I'm glad you like our new  
18      website.

19              MS. DeCARLO: I do.

20              MR. ST. JOHN: It took a long time to get that  
21      going.

22              MS. DeCARLO: Yes, it makes me very happy, as a  
23      chemist, looking at it.

24              MR. ST. JOHN: And it maybe very old talking to  
25      these young people that were trying to develop the website

1 of thinking.

2 MS. DeCARLO: Also, with a follow up that, if  
3 you could make any distinction between powder standards and  
4 the paste standards and for what the different  
5 qualifications are for that through the ASTM distinctions,  
6 among everything, that would be helpful.

7 MR. NEELEY: We can follow up on that.

8 MS. DeCARLO: Great. Also, in the petition  
9 there is a mention of reach through the EU requirements. I  
10 understand that there's a cost for the certification process  
11 and everything. Was that at any point considered by WPC,  
12 the registration, because it's been around for several years  
13 is my understanding and now the threat is finally coming to  
14 fruition, right?

15 MR. ST. JOHN: Yes, I mean it's been around for  
16 a while, but simply, economically, for any of the products  
17 that we ship to Europe that are greater than the quantity  
18 requirements for reach it's not economically feasible for  
19 those registration fees for the volumes that we were selling  
20 to Europe on those and you pile on that, plus the time for  
21 the registration just made on sense.

22 Now, we've had some distributors that are  
23 willing to maybe take on that registration themselves, but  
24 as a supplier it's been difficult for us to economically  
25 justify it.

1                   MS. DeCARLO: And getting into the feed stocks,  
2                   does WPC always utilize the same precursor feed stocks in  
3                   your production line because you list several like chrome  
4                   sources like the chrome acid flakes versus the strontium  
5                   chromate and everything like that.

6                   MR. ST. JOHN: For the production of the main  
7                   products it's always the same raw materials.

8                   MS. DeCARLO: And then was all the dispersion in  
9                   paste strontium chromate produced through tolling operations  
10                  or is any produced on site, and you can answer that.

11                  MR. ST. JOHN: Right. So, in the older facility  
12                  up to about 2015, we produced the paste in house. And  
13                  strategically, when we moved the plant we decided to  
14                  temporarily toll that, which basically the toller takes the  
15                  basic powder and solvent, puts it in barrels and gets it  
16                  back to us, directly, back and forth.

17                  And as we got up and running the plan was to  
18                  install a new production line on that. But due to the  
19                  economics of the trade situation and so forth, we've been  
20                  unable to do that, so we still currently toll that.

21                  MS. DeCARLO: Okay. And then talking about the  
22                  solvents, are there common solvents or is it customer  
23                  dependent of what solvents you use? And if that gets into  
24                  proprietary blends and everything, you can answer it in the  
25                  post-conference brief.

1                   Okay. And then my last question and this is for  
2                   my own curiosity, you just mentioned that you worked on  
3                   trying to find a substitute that was like 80 percent as good  
4                   -- and you might not be able to answer it on the record, but  
5                   what product is that.

6                   MR. ST. JOHN: We have a couple on our website.  
7                   Hypercore is one that's listed.

8                   MS. DeCARLO: Okay.

9                   MR. ST. JOHN: And it is sold in aerospace.

10                  MS. DeCARLO: Okay.

11                  MR. ST. JOHN: But it is essentially used for  
12                  ribbets and that kind of small, not main air frame.

13                  MS. DeCARLO: Okay.

14                  MR. ST. JOHN: And you know I think our history,  
15                  and based on the research and development, there's always  
16                  been the promise of a non-chrome alternative. And the  
17                  reality is there's very few out there. None that compete  
18                  economically and they're used for very small applications.  
19                  I mean strontium chromate will be used for a very long time  
20                  on the main applications.

21                  MS. DeCARLO: Okay.

22                  MR. ST. JOHN: Yes, in my opinion.

23                  MS. DeCARLO: Alright, that is it for my  
24                  questions at this time. Thank you.

25                  MR. CORKRAN: Thank you, Ms. DeCarlo. And

1       again, thank you to the panel. I've got a few questions.  
2       The first is when we talk about strontium chromate  
3       dispersions or paste, as the non-technical person, to me  
4       those two terms conjure up something very different. I  
5       think of a dispersion as having a fairly high liquid  
6       component, whereas, I think of paste as being almost solid.  
7       Can you tell me is there a range of forms that dispersion  
8       and paste come in?

9               MS. KLEIN: Just to help clarify, we call it  
10       dispersion. The reason why we added paste to the petition  
11       is because one of our competitors calls their dispersion  
12       paste, so that why it was added. But it is a thicker, kind  
13       of milk shake consistency, just to kind of give you an idea;  
14       but the whole wording that's the reason why we worded it  
15       that way.

16              MR. CORKRAN: But the products are  
17       interchangeable.

18              MS. KLEIN: Yes, exact same.

19              MR. ST. JOHN: Their terminology is paste and  
20       ours is dispersion.

21              MS. KLEIN: Ours is dispersion.

22              MR. ST. JOHN: And everybody who buys it knows  
23       it's the same.

24              MR. CORKRAN: Is it a range?

25              MR. ST. JOHN: It's not because of a range.

1       It's just terminology.

2                   MR. CORKRAN:  And how do you package and how do  
3       you ship that product?  It seems like you'd be shipping some  
4       amount of that solvent in with the product when you're doing  
5       that.  How do you ship it and how do you package it?

6                   MS. KLEIN:  All dispersion is packaged into  
7       steel drums, different weights.  There's a 300 kilogram  
8       drum.  There's a 200 kilogram drum and then there's also a  
9       600 pound drum, which are most common.

10                  MR. CORKRAN:  Okay.  Can you give me an idea?  
11       What is the particular use for dispersions?  How similar or  
12       dissimilar is that from what you might use a powder for?

13                  MS. KLEIN:  The main reason dispersions -- our  
14       customers might prefer dispersion is you're taking a step  
15       out of the process, so it's safer to deal with for safety  
16       from workers.  If you're dealing with it in powder form, you  
17       do have to wear the respiratory.  It's dusty.  It's dirty.  
18       It's unsafe.  If you have it in dispersion form, you  
19       alleviate the dust, so it's much safer to work with.

20                  MR. CORKRAN:  And can you give me a little more  
21       background about how dispersions are actually produced?  In  
22       the petition there is a mention that they're a powder-plus  
23       solvent, but can you go into a little more detail about that  
24       actual process for generating a dispersion?

25                  MR. NEELEY:  Mr. Corkran, Brent tells me that

1 the process is a bit proprietary, at least in the details of  
2 it, so I think we'd prefer to answer that probably in a  
3 post-conference brief in more detail, if we could do that.

4 MR. CORKRAN: Okay. And to be clear, I'm not  
5 for -- I'm looking for a layman's level of detail rather  
6 than a --

7 MR. NEELEY: Well, that's good because I  
8 wouldn't understand it otherwise.

9 MR. ST. JOHN: The layman's level is you take  
10 the powder, which we produce, you add a solvent. You mix it  
11 up and you put them in a barrel and you ship it back. I  
12 mean that's the very simplest part of the process -- and the  
13 proper machinery to do so, yes.

14 MR. CORKRAN: I'm sorry. What was the last bit  
15 about --

16 MR. ST. JOHN: And the proper machinery to do  
17 that.

18 MR. CORKRAN: In general terms, how much  
19 additional machinery do you need to make that combination?

20 MR. ST. JOHN: In general, you need some tanks  
21 and some mixing equipment, some piping and pumps and so  
22 forth to do that. I believe in one of our petitions we had  
23 the cost estimate it was for us to internalize that process  
24 again and maybe I'll refer to that.

25 MR. CORKRAN: Thank you. That's very helpful.

1 I appreciate that. Okay, so here's a question, listening to  
2 the testimony and listening to the opening arguments. You  
3 took on one of the potential issues, which is when you have  
4 a disruption like this maybe it increases awareness of dual  
5 sourcing as an option. But even more general, did you  
6 receive feedback from your customers that basically with a  
7 supply disruption there was a reputational risk to your  
8 company. Did purchasers come to you and say it's going to  
9 take a while to rebuild our confidence in you as a  
10 supplier?

11 MR. ST. JOHN: I mean I think we -- yes. I mean  
12 we spent a lot of time on the road repairing that  
13 relationship, giving tours of the facility, showing that we  
14 are up in speed, showing the new facility and so forth. And  
15 I think that Jeff had mention if this was fall of 2016 -- I  
16 mean we're at 2018 and the only objection left is price in  
17 every conversation we have with any buyer is just about  
18 price and that is it. And I think we've proven with all the  
19 customers that we currently have we've been on-time  
20 shipping and so forth and regain that credibility. There's  
21 no question about it. So, the current conversation is about  
22 price only.

23 MR. CORKRAN: You'd mentioned earlier on your  
24 familiarity with competing with the other suppliers. Can  
25 you talk a little bit about your firm's export experience?

1 Do you have an export presence? Do you compete with either  
2 the Austrian or the French supplier outside the United  
3 States?

4 MR. KRALL: Yes, we do in Asia and in Europe.  
5 The market has changed in Europe because of regulations, so  
6 the amount of requirement for strontium chromate in Europe,  
7 other than aerospace has basically gone away. Certainly, in  
8 Asia and Australia there are opportunities and we have  
9 competed against these other suppliers in those regions.

10 MR. CORKRAN: Can you elaborate a little bit  
11 more about the changing market conditions? You alluded to  
12 the fact that in Europe market opportunities have diminished  
13 outside of aerospace. Can you elaborate a little bit on  
14 that and maybe give a little bit of a timeline on that?

15 MR. KRALL: Sure. It's basically due to the  
16 Reach regulations, which are the Euro Zone's regulations  
17 around use of chemicals and registration of those chemicals.  
18 And basically, what they did was create a situation where  
19 people who were going to be using strontium chromate could  
20 no longer use it in Europe. So, what happened is some of  
21 that production moved outside of Europe so it could be  
22 produced somewhere else.

23 You can still produce the strontium chromate in  
24 Europe, obviously, but you can't buy it, so to speak, to  
25 make it into the paint that's needed for the applications.

1                   MR. CORKRAN: And you said there's an exception  
2 or a carve out for aerospace?

3                   MR. KRALL: That's my understanding.

4                   MR. CORKRAN: In 2015 and 2016, when you were  
5 looking at ways to supplement the inventory that you'd built  
6 up, the testimony mentioned that you actually purchased  
7 additional product from the Austrian producer. I was trying  
8 to get a little more detail on that. If you could elaborate  
9 just a bit on that. I understand that that's probably  
10 fairly sensitive information, but were those transactions  
11 where -- I can think of three possibilities.

12                   Either your firm was the direct importer, that  
13 is, the importer of record of the product or (B) you're  
14 purchasing at arm's length from an importer or (C) you were  
15 -- I'll use the term "brokering" without any real specific  
16 meaning, but you were assisting customers fill their needs  
17 through a competitor serving almost like a middleman and not  
18 taking possession at all of the product. Which of those  
19 strategies were you employing?

20                   MS. KLEIN: So, when we realized our inventory  
21 was getting extremely low and one of the biggest customers  
22 that was referred to -- one of the four that was mentioned  
23 earlier -- we wanted to keep them in supply. We didn't want  
24 to shut down that company, so we had no other choice but  
25 then to go to our competitor and purchase product.

1                   We were the importer of record. We air  
2                   freighted it. We put it on a ship. We air freighted  
3                   probably roughly \$250,000 in air freight charges. Then when  
4                   we received the product because the customer couldn't use it  
5                   and they're bagging -- we actually re-bagged it in our bags  
6                   and shipped it to the customer.

7                   MR. CORKRAN: So, the situation like that  
8                   suggests that -- correct me if I'm wrong, but it sounds like  
9                   you were -- as a company, you were fairly optimistic  
10                  throughout much of the construction time that you were going  
11                  to meet your goals because it doesn't sound like -- that  
12                  sounds like something that happens as practically a last  
13                  resort.

14                 MR. ST. JOHN: It's true. From a mechanical  
15                 standpoint, production line basically ready to go and our  
16                 holdup was literally a permit with Wisconsin Department of  
17                 Natural Resources. Yes, it was literally sitting on  
18                 someone's desk for an extra 30 or 60 days and that was  
19                 extremely frustrating because we had the production line  
20                 ready to go and just bureaucracy, but we felt we had  
21                 everything in a row, except for that one detail. And we put  
22                 a tremendous amount of pressure to get that done and finally  
23                 got it done.

24                 MR. CORKRAN: I believe, at least for right now,  
25                 that is the end of my questions, so I want to thank the

1 panel. And I also want to turn to my colleagues to see if  
2 there are additional questions.

3 MR. GOLDFINE: David Goldfine, Office of General  
4 Counsel. For Mr. Neeley or Brophy, based on what Doug was  
5 just asking, if, indeed, you were the importer of record and  
6 it was just in one year and it was for whatever amount it  
7 was for, maybe it's a very brief discussion or a footnote or  
8 something, but it sounds like there may be a related party,  
9 at least, issue. Maybe it's not a serious issue, but if you  
10 could address that in your brief we'd appreciate it.

11 MR. NEELEY: Okay, I see your point. Okay.

12 MR. GOLDFINE: Thank you.

13 MR. CORKRAN: Okay, well, again, thank you very  
14 much to the panel. We appreciate your testimony here today.  
15 It's been very helpful.

16 It's 10:45 right now. We'll dismiss this panel  
17 and we'll break until 11:00 o'clock. We'll resume with the  
18 Respondent panel. Thank you very much.

19 (Whereupon, a break was taken at 10:45 a.m.)

20 MR. BISHOP: Will the room please come to order.  
21 Mr. Chairman, the panel in opposition to the imposition of  
22 the antidumping duty orders have been seated. This panel  
23 has sixty minutes for their direct testimony.

24 MS. LEVINSON: Good morning again. This is Liz  
25 Levinson. I'm accompanied here by Mr. Claude Esselin, who's

1 with the largest producer and exporter of strontium chromate  
2 from France, SNCZ. And to my right is Mark Maroon. Mark  
3 Maroon is the primary distributor of products that are  
4 exported to the United States by SNCZ.

5 The testimony is not all encompassing as you can  
6 imagine. So I do want to let you know that Mr. Claude  
7 Esselin has a great deal of experience with the REACH  
8 regulation, so you might want to ask him about that. And he  
9 also can speak in quite a bit of detail about the bad will  
10 and reputational harm that WPC experienced as a result of  
11 their shutdown in 2015 into 2016. With that I will turn the  
12 mic over to Mr. Esselin.

13 STATEMENT OF CLAUDE ESSELIN

14 MR. ESSELIN: Thank you, Liz. And good morning.  
15 My name is Claude Esselin. I'm from France. I'm the Sales  
16 and Marketing Manager for SNCZ, the exporter and  
17 manufacturer of strontium chromate in France. Since we  
18 started operation under this form in 1984 and we are 100%  
19 focused on the development, the manufacturing and marketing  
20 of anticorrosive pigments and SNCZ is the leading  
21 manufacturer of anticorrosive pigments in the world with a  
22 global market share, so not only strontium chromate, but all  
23 anticorrosive pigments included of around 25% of the world  
24 market.

25 I've had this position for eleven years now and

1 I'm basically I have a degree in chemical engineer and an  
2 MBA. I've worked with specialty chemicals for throughout my  
3 career and my focus moving from research engineer in the  
4 beginning up to technical service, marketing, product  
5 development and the business management positions.

6 As I believe you have learned, the strontium  
7 chromate industry is extremely concentrated. And SNCZ is  
8 one of only four manufacturers in the entire world. Three  
9 of the four manufacturers are involved in this antidumping  
10 proceeding, WPC, Habich and my company. And the fourth  
11 producer is a Chinese company which does not export  
12 strontium chromate to the United States and barely not  
13 exporting outside of China.

14 And there are in the world only seven major  
15 customers that buy strontium chromate. And four of these  
16 seven have operations in the United States. And in the  
17 United States, we sell to one big customer. Exports to the  
18 United States have increased somewhat in the past couple of  
19 years, although not in the volumes that WPC alleges in the  
20 petition.

21 The correct figures for our export to the United  
22 States are set forth in our foreign producer questionnaire.  
23 And the actual numbers do not support WPC allegation that  
24 export from France increased by 400% between 2015 and 2017.  
25 In fact we increased our sales since 2015 for reason that

1 I'm about to explain. Our level of export increased in 2016  
2 from 2015 levels, but then decreased in 2017.

3 In analyzing this trend is very important that  
4 the Commission understand how and why we became an  
5 established supplier in the United States. As you know, and  
6 this has been mentioned earlier, in 2015, WPC moved its  
7 factory from its downtown Milwaukee location to Oak Creek,  
8 Wisconsin. And some pieces of equipment were transferred  
9 from one location to the other, which prevented the WPC from  
10 producing strontium chromate in either location.

11 Knowing that there would be a significant  
12 downtime, the company had set aside inventory for the  
13 purpose of supplying its customers during the transition  
14 period. A major problem arose, however, when the new plant  
15 did not produce in commercial quantities as anticipated in  
16 October 2015 and the company started running out of  
17 inventory.

18 And suddenly, longstanding customers were unable  
19 to get their supply needs satisfied, and WPC actually ran  
20 out of inventory altogether in November 2015 and was  
21 scrambling to buy strontium chromate from other producers  
22 including SNCZ. Customers left high and dry were extremely  
23 upset and frustrated, and as you can imagine, reached out to  
24 SNCZ and others to obtain product.

25 And the situation was so dire that key customers

1 would rely 100% on WPC up until then, actually had to pay  
2 exorbitant airfreight costs to transport the merchandise  
3 from France as quickly as possible, which tripled the cost  
4 of the strontium chromate they were buying. WPC did not  
5 begin commercial production at this new factory until March  
6 2016.

7 Thus, for the entire period, from approximately  
8 November 2015 to March 2016, during the period of  
9 investigation, many customers had no choice but to source  
10 from SNCZ and other foreign suppliers, even at considerable  
11 extra costs. And strontium chromate simply was not  
12 available from WPC during this period.

13 And fortunately this was an invaluable  
14 opportunity to re-establish ourselves to the U.S. customers  
15 and this significant opportunity did not arise because we  
16 sold out WPC's customers, however. Instead, the opportunity  
17 arose because WPC committed serious business mistakes in  
18 launching its new manufacturing facility.

19 It has only itself to blame, not SNCZ, for loss  
20 of business it experienced in 2015 and '16. As for WPC  
21 customers, they learned their lesson the hard way and vowed  
22 never again to rely on the single supplier. This new  
23 attitude among U.S. customers what produced and relied  
24 exclusively on one domestic supplier is the primary reason  
25 that SNCZ has been able to establish return business in the

1 United States after 2015.

2 In my opinion, WPC compounded its mistakes even  
3 more after 2015 when the company made addition, certain  
4 strategic decisions that didn't turn out well and prior to  
5 2015, WPC had purchased a range of pigment. And beginning  
6 with a new plant, WPC decided to focus mainly on strontium  
7 chromate and to dismiss some experienced personnel in key  
8 positions. I believe this internal corporate decision have  
9 adversely impacted WPC operations since that time.

10 So despite the inroads into the U.S. market for  
11 SNCZ that presented from a series of unfortunate business  
12 decision by WPC. The United States is not even close to  
13 being one of SNCZ's primary market. We sell our most, 74%  
14 of our total production of strontium chromate to Asia  
15 Pacific. Our largest market there is Taiwan. And sales to  
16 the United States barely hit 10% of SNCZ total production.

17 We are operating at nearly full capacity as the  
18 staff can see from our questionnaire response. And the SNCZ  
19 has no plan to expand strontium chromate production in its  
20 future strategy. Rather, we focus on new anticorrosive  
21 pigment development to eventually replace chromate pigment  
22 in the future. So there is no threat of an onslaught of  
23 massive exports from France to the United States in the  
24 imminent future.

25 In conclusion, I ask that the Commission staff

1 analyze whether WPC's experiencing any alleged financial  
2 difficulties because of its sourcing of raw materials used  
3 to produce strontium chromate. One of the major raw  
4 materials to produce strontium chromate is sodium dichromate  
5 and at SNCZ raw material prices are reviewed on a quarterly  
6 basis and 80% of the quarterly business is awarded to the  
7 lowest bidder.

8           There are only a handful of sodium dichromate  
9 manufacturers in the world and we believe the WPC source  
10 100% of its sodium dichromate from the U.S. produced sodium  
11 dichromate from the U.S. producer, Elementis Chromium. So  
12 it's important that Commission staff obtain information  
13 regard to the price that WPC's paying for its raw materials  
14 to determine whether high material costs are effective. So  
15 I thank you for your attention and for this opportunity to  
16 testify here today. And we'd be pleased to respond to any  
17 question you might have.

18           MS. LEVINSON: We'll now turn the mike over to  
19 Mark Maroon. Mr. Maroon?

20           STATEMENT OF MARK A. MAROON

21           MR. MAROON: Good morning. Feel like this is my  
22 home-away-from-home actually. I have to interject I've been  
23 here no less than three times in this USDR Section 301 China  
24 Trade hearings since June. So I have my own apartment right  
25 down the street.

1                   My name is Mark Maroon and I'm the Chief  
2           Technology Officer of the Maroon Group. The Maroon Group is  
3           USA-based specialty chemical distribution company serving  
4           North American manufacturers since 1977. Maroon Group  
5           markets and sells over 3,000 specialty chemical products,  
6           including strontium chromate. We sell to virtually all  
7           compounding industries domestically in North America such as  
8           paint coatings, adhesives, sealants, plastics, rubber,  
9           cosmetic, food and beverage. We purchase and sell these raw  
10          materials from our partners, both domestic and abroad. I'm  
11          here today because Maroon Group is an importer of strontium  
12          chromate via our direct relationship with SNCZ, the sole  
13          exporter and manufacturer from France. Our relationship  
14          with SNCZ dates back more than twenty years and we market a  
15          number of different chemistries from and for SNCZ in the  
16          U.S. Strontium chromate is just a small part of that. And  
17          I didn't write, but I will note, we used to sell in the  
18          mid-2000s a significantly large quantity of strontium  
19          chromate than we do today. The reason we let that lapse, so  
20          to speak, it became nonstrategic based upon market  
21          dynamics, not the least of which were sell prices that we  
22          were not interested in participating in at that time. The  
23          strontium chromate that we do purchase accounts for roughly  
24          one million dollars in annual purchases over the last few  
25          years from SNCZ. As you heard earlier today, strontium

1 chromate is an inhibiting chemical that is commonly  
2 incorporated into a coating that is applied to metal  
3 surfaces with the attribute of preventing corrosion or rust,  
4 in layman's terms, that may occur due to exposure to  
5 moisture and oxygen. The target industries of strontium  
6 chromate pigment, as discussed, is very limited. There are  
7 four global main producers of strontium chromate as  
8 referenced earlier. We recognize only four to five  
9 significant consumers of strontium chromate in the United  
10 States, and we currently sell on behalf of SNCZ only one of  
11 those potential customers on a regular basis. Based upon  
12 the facts available to me, I disagree with the position of  
13 WPC that they are suffering injury by reason of low-priced  
14 imported strontium chromate pigment from France or Austria.  
15 Our current and potential customers regularly convey that  
16 our sale prices are higher and typically not competitive  
17 with our competition. And I am happy to answer questions  
18 specific to that later. Certainly the Commission could come  
19 to this conclusion as well through your analysis of my  
20 responses to your questionnaire. Further, Maroon Group is  
21 not in the business of what we call selling only on price.  
22 Rather our company sells our service logistics, technical  
23 support and bundle of synergistic chemistries to set  
24 ourselves apart from all of our competition. Thank you for  
25 your time and I will be here to answer any questions.

1 MS. LEVINSON: That concludes our direct  
2 testimony. We welcome your questions.

3 MR. CORKRAN: Thank you very much. My sincere  
4 thanks to the panel for coming here today. We appreciate  
5 it. It's been very helpful. And I will begin by turning to  
6 my colleagues, starting with Miss Lara.

7 MS. LARA: My next question is just to know if  
8 you guys have any disagreements with how the domestic  
9 like-product was proposed in the Petition.

10 MS. LEVINSON: No, we do not.

11 MS. LARA: And it looks like--I think I heard Mr.  
12 Esselin mention that there's a discrepancy between the U.S.  
13 export numbers that were reported in the foreign producer  
14 questionnaire versus what was presented in the Petition,  
15 which I think comes from import statistics. So I don't know  
16 if you want to address that now, or in the postconference  
17 brief, maybe what the discrepancy is?

18 MS. LEVINSON: Yeah, that is something I was  
19 wondering about, myself, because the numbers that are  
20 presented in the import statistics are quite different than  
21 the numbers. We are, SNCZ is the only exporter from France,  
22 and they do export under the number, I think it's like 2841-  
23 -I'm sorry? No? Alright, let me just finish. But we'll  
24 continue to look at that issue. You know, for purposes of  
25 the preliminary determination, I would encourage the

1 Commission to rely on the questionnaire responses and not  
2 the import statistics.

3 Do you have something to add to that?

4 MR. ESSELIN: Sorry for that, but it's about the  
5 tariff code that has been used for the import statistics.  
6 Most of the figures are coming from Chapter 28. So those  
7 wrong figures, starting with 28, our tariff code is 32.  
8 It's 32-06-20 and 40. And we have exported strontium  
9 chromate to the United States under this code for decades.

10 MS. LARA: Okay--

11 MR. MAROON: I can also add that Maroon Group  
12 typically, as SOP in our organization, we do not rely on our  
13 internal folks, although they're very good. We rely on our  
14 import brokers that regularly move material for us, and we  
15 look, and we ask them for specific advice and official  
16 rulings to classify cast number by correct HTS for import.  
17 Because the last thing we ever want to do is be fined for  
18 importing under an improper code.

19 MS. LARA: And similar to what I asked the other  
20 parties, are you aware of any third country antidumping or  
21 CVD orders on strontium chromate from France?

22 MR. MAROON: I didn't catch--

23 MS. LARA: I'm sorry. Are you aware of any  
24 third-country antidumping or CVD orders on strontium  
25 chromate from France?

1 MS. LEVINSON: No. There are no other orders.

2 MS. LARA: I think those are all the questions I  
3 have.

4 MR. CORKRAN: Thank you, Ms. Lara. Actually  
5 before I turn to Mr. Goldfine, I wanted to ask a follow-up  
6 question. It was helpful to talk about, to introduce the  
7 issue of treatment in the tariff schedule and the HTS  
8 numbers under which you import. To the extent that you can  
9 share in open forum, is the form of strontium chromate that  
10 you are exporting to the United States, is that the  
11 dispersion or the paste form? Or is that powder?

12 MR. ESSELIN: One hundred percent powder.

13 MR. CORKRAN: Even powder is entering under the  
14 32--

15 MR. ESSELIN: Yes, exactly.

16 MR. CORKRAN: Okay, thank you very much. I  
17 appreciate that. And now I'll turn to Mr. Goldfine.

18 MR. GOLDFINE: Good morning. Thank you all for  
19 your participation today. I just have a few questions,  
20 mainly for Ms. Levinson, but if the witnesses want to chime  
21 in that's fine, too.

22 Just as sort of a run-through on, I think we  
23 heard your main argument in your opening, but what's not  
24 being challenged for purposes of the prelim. So the  
25 Petitioners have proposed one like-product and one domestic

1 industry. You're not challenging either of those, for  
2 purposes of the prelim, correct?

3 MS. LEVINSON: We are not.

4 MR. GOLDFINE: Okay. And you are also not  
5 arguing, since there's only one producer here, that anyone  
6 should be--even if there were related parties, there's no  
7 exclusion. You're not arguing for anyone to be excluded?

8 MS. LEVINSON: No. We would agree with  
9 Petitioners that that's inapplicable here.

10 MR. GOLDFINE: And what about cumulation? Are  
11 you arguing that any--do you have any cumulation arguments?  
12 Or are you agreeing with their, for purposes of the prelim--

13

14 MS. LEVINSON: For purposes of the prelim, we  
15 would have to concede that cumulation is probably warranted.  
16 I may do a separate analysis in the threat context, and  
17 that's something that I will address in the postconference  
18 brief.

19 MR. GOLDFINE: Okay, thank you. And on the issue  
20 that was brought up earlier on the questionnaire, you  
21 mentioned you would urge the Commission to use questionnaire  
22 responses, not import statistics.

23 In your postconference brief, if you could just,  
24 however briefly, just walk us through the main reasons that  
25 you would, you know, you're arguing for that?

1 MS. LEVINSON: Sure.

2 MR. GOLDFINE: And on the supply shortfall  
3 argument, just to be clear, are you--is your position that  
4 the domestic industry couldn't supply the market in 2017 and  
5 interim 2018?

6 MS. LEVINSON: I'm going to ask Mr. Esselin to  
7 answer that, but I don't believe that's our argument. I  
8 think that the problem was 2015-2016, which of course is  
9 part of the Period of Investigation. It seems like  
10 Petitioners have tried to dismiss those years in a couple of  
11 their commentaries, but, you know, it is a significant part  
12 of the Period of Investigation. And although Petitioners  
13 could supply in 2017, that is the reason, or one of the  
14 reasons, that exports from SNCZ actually decreased in 2017,  
15 because some of the customers started buying from WPC once  
16 again.

17 Would you agree with that?

18 MR. ESSELIN: Yes.

19 MR. GOLDFINE: Okay, I was just trying to get a--  
20 just to understand the arguments on both sides. So to the  
21 extent you can, I'm sure you will address that in your  
22 postconference.

23 MS. LEVINSON: Sure.

24 MR. GOLDFINE: That would be helpful. I have no  
25 more.

1                   MR. CORKRAN: Thank you, Mr. Goldfine. And now  
2 we'll turn to Ms. Von Kessler.

3                   MS. VON KESSLER: Good morning, if it's still  
4 morning now. Thank you for coming and taking the time to  
5 answer our questions. Again, if any of the responses are  
6 CPI, please feel free to answer them in the postconference.

7                   First I'll turn to the raw materials. You had  
8 mentioned maybe some sourcing decisions from Petitioners,  
9 but where does SNCZ source its raw materials from,  
10 particularly sodium dichromate and strontium carbonate, if  
11 those are your primary?

12                  MR. ESSELIN: Strontium carbonate is sourced from  
13 Spain, a Spain mine. It's processed in Germany. So we buy-  
14 -thee is just one source in Europe, so we buy it from  
15 Germany. Sodium Dichromate, we have multiple sources  
16 available. The main one being from South Africa. And we  
17 import directly the sodium dichromate from South Africa.  
18 And we have other sources in Turkey, and minor sources in  
19 Kazakstan and Russia. It's mainly we use the Turkey and  
20 South Africa sources of liquid sodium dichromate.

21                  MS. VON KESSLER: Okay, and you don't manufacture  
22 any part of the raw materials put into your strontium  
23 chromate?

24                  MR. ESSELIN: No.

25                  MS. VON KESSLER: Okay. And how do you purchase

1 the raw materials? Are they via contract, or spot sales?

2 MR. ESSELIN: No, we have contract. We have  
3 quarterly contract, which are reviewed every quarter. And  
4 we allocate the--for the sodium chromate, we allocate 80  
5 percent of the business to the lower price.

6 MS. VON KESSLER: Okay, and is it similar to  
7 Petitioners, that the price is determined kind of  
8 historically with your own business? There aren't  
9 necessarily price indices that are referenced to?

10 MR. ESSELIN: They are. They are--not on sodium  
11 dichromate, because this is a smaller, I would say smaller  
12 chemical item from chromium, but on the chrome dioxide there  
13 are some indexes that can be used for review.

14 MR. MAROON: The major end uses of sodium  
15 dichromate are not for anti-corrosive pigment for strontium  
16 chromate. It's typically used in pigment and pigment dye  
17 manufacturing. I'm very involved in that from a  
18 representation, the main producer in the U.S. being  
19 Elementis.

20 MS. VON KESSLER: Okay. If you could provide any  
21 information on the source of the chrome ore prices that are  
22 referenced in your raw materials contracts, that would be  
23 helpful.

24 MR. ESSELIN: Yeah, actually the main one is South  
25 Africa.

1 MS. VON KESSLER: And how has the price of the  
2 raw materials affected the price of the strontium chromate  
3 you sell?

4 MR. ESSELIN: The strontium carbonate price is  
5 fairly stable in time. There is no big issue on this one.  
6 Sodium dichromate price is following the chrome price on the  
7 market. So from time to time there are some crisis, when  
8 the main use of chromium is stainless steel. So when the  
9 stainless steel market, mainly in Asia, is extremely strong,  
10 the price of chromium is going through the sky.

11 MS. VON KESSLER: Okay.

12 MR. ESSELIN: And to some extent, sodium  
13 dichromate for all these trend.

14 MS. VON KESSLER: Okay. And if you have any  
15 expectations of where the price trends will be going in the  
16 next year or two?

17 MR. ESSELIN: At the moment, the price is rather  
18 stable because the Chinese market for stainless steel is  
19 low. So there is inventory everywhere in China, so the  
20 price of chromium is staying on the low side.

21 MS. VON KESSLER: Okay. Let's see. You've  
22 mentioned the few purchasers in the market. What factors do  
23 purchasers consider when purchasing the strontium chromate?  
24 Such as what qualities or characteristics, other than price  
25 do you think they consider?

1                   MR. ESSELIN: It's mainly price. It's mainly  
2 price. This market is concentrated, so the three main  
3 suppliers of strontium chromate, so WPC, Habich from  
4 Austria, and us. We are all approved with the major  
5 customers in the world.

6                   MS. VON KESSLER: And would you agree that the  
7 main factors of demand are durable good production and  
8 aerospace?

9                   MR. ESSELIN: Yeah, I do. Yeah. The building  
10 industry, I would say if you want to go more in details, the  
11 building industry is the key factor for the dynamics of this  
12 market.

13                  MS. VON KESSLER: Okay, and have those markets in  
14 Europe changed much over the last, or since 2015?

15                  MR. ESSELIN: Since this time, not too much.  
16 What has made a major disruption on the European market is  
17 the RECH regulation. Okay? So we had to register strontium  
18 chromate in 2010, and WPC, and us, and Habich, we have all  
19 of us fully registered strontium chromate in the RECH  
20 system.

21                  Since that, we knew that the days of strontium  
22 chromate in the cold coating business were counted. I  
23 mean, that's the end. We could see the end of the use of  
24 strontium chromate for cold coating. And actually the end  
25 is next January. The use of all strontium chromate is

1 banned in cold coatings on next January.

2 The aerospace business has got an authorization  
3 to continue using strontium chromate for aerospace and  
4 airplanes and production. And there we get it for seven  
5 years.

6 MS. VON KESSLER: Okay.

7 MR. ESSELIN: And so the market started to move  
8 in Europe in 2010, and little by little the use of strontium  
9 chromate in the cold coating market segment started to  
10 decrease. And the end was two years ago. Two years ago the  
11 last line, coating line, using strontium chromate stopped  
12 operation. And so the market is zero now and zero for  
13 strontium chromate for cold coating.

14 MS. VON KESSLER: Okay. What was the replacement  
15 for that?

16 MR. ESSELIN: There are different technologies.  
17 We have spent a major part of our R&D resources since 15  
18 years to develop chrome-free pigment that are  
19 environmentally friendly to replace strontium chromate. And  
20 now this pigment, based on rather completely different  
21 technologies, have replaced strontium chromate in Europe.

22 MS. VON KESSLER: Okay--

23 MR. ESSELIN: And they are developing also in  
24 other parts of the world, but today this is the main market.

25 MR. MAROON: It will eventually happen in the

1 United States. It's not "if" but "when." But no one really  
2 knows when today because it's industry driven a lot, market  
3 driven, right down to the consumer. The back story is, just  
4 like workers in a production facility require respiration  
5 and/or in a paint factory that handle strontium chromate,  
6 there's hexavalent chromium inherent due to the chrome,  
7 right, in the powder itself, if you will, or in the raw  
8 material itself. That is the problem. That's an acute and  
9 toxic health issue to you and me. That's why all this is  
10 happening.

11 MS. VON KESSLER: Right. Okay, my last question,  
12 I guess for Mr. Maroon, would be if you believe that our  
13 pricing products are pretty representative of what is sold  
14 for strontium chromate, or if there are other major  
15 strontium chromate products that you sell that are not  
16 encompassed in the pricing product definition.

17 MR. MAROON: The only strontium chromate product  
18 we sell comes from SNCZ, first of all. Oh, okay, that list  
19 of four in the questionnaire--

20 MS. VON KESSLER: Yes, yes, the list of four.

21 MR. MAROON: Three of the four are exactly the  
22 same product. It's a different package--

23 MS. VON KESSLER: Okay.

24 MR. MAROON: --as WPC was explaining earlier.  
25 It's just package size, supersack, or this sized bag, or

1       this sized bag. The fourth was the paste or dispersion,  
2       which we do not market and sell in the United States.

3               MS. VON KESSLER: Okay. And there aren't any  
4       others outside of those four that you sell?

5               MR. MAROON: No. None at all.

6               MS. VON KESSLER: Great. That's all I have for  
7       now.

8               MR. CORKRAN: Thank you, Ms. Von Kessler. Next  
9       we'll turn to Ms. DeCarlo.

10              MS. DeCARLO: Hi. Good morning. Thank you for  
11       coming. I just have a few follow-up questions about the  
12       product and the production.

13              First--and you can answer this in postconference  
14       briefs--is there an industry standard for production? Or is  
15       it proprietary to your company for SNCZ?

16              MR. ESSELIN: I think our processes are globally  
17       the same, with some minor differences in the process. And  
18       we have, each of us have probably some proprietary way to do  
19       it, yeah.

20              MS. DeCARLO: Okay.

21              MR. ESSELIN: We can describe it in the  
22       postconference.

23              MS. DeCARLO: Okay, I appreciate that. That  
24       would be helpful. And are there any notable byproducts  
25       beyond waste materials during the production process for

1 strontium chromate?

2 MR. ESSELIN: Sure. Sure there's some, not  
3 byproducts, but there are some residues, and we have  
4 wastewater unit in the plant to treat all the residue,  
5 because this is chromium so this is very toxic and  
6 carcinogenic element.

7 MS. DeCARLO: Getting into the carcinogenicity of  
8 it and the RECH requirements, so you stated that there are  
9 now safer alternatives that are used instead of strontium  
10 chromate. However, my understanding is that you are able to  
11 continue making it and selling it for the aerospace industry  
12 because there is not a comparable product for the aerospace  
13 industry as of right now?

14 MR. ESSELIN: This is correct. There is no  
15 technical--this was the basis of the RECH regulation. I  
16 mean, as soon as there is a technical alternative to a  
17 harmful chemical, then you have to switch to the harmless  
18 one. And it happens that in the aerospace there is nothing  
19 to replace--at the moment, technically, there is nothing to  
20 replace strontium chromate. And when we take a plane, we  
21 all want to fly safely.

22 MS. DeCARLO: I agree 100 percent. So along  
23 that vein, so if there is a new product that is discovered,  
24 and this is more of like an esoteric question, how long  
25 would it take for that to become the substitute for

1 strontium chromate? You may not know the answer to that,  
2 but--

3 MR. ESSELIN: It's a tricky question, because  
4 it's not--to be honest, it is not as good as strontium  
5 chromate. I mean, the performance is not as high as  
6 strontium chromate, and the price is not as cheap as  
7 strontium chromate. So you get less performance and a  
8 higher price, but you have a safe pigment. This is the main  
9 driver for an industry to move from strontium chromate to a  
10 non-chrome pigment.

11 So in Europe we have been helped by RECH  
12 regulation. In other countries, it's a little bit  
13 different. The move is slower. It's a move probably within  
14 20 or 30 years, I don't know, strontium chromate will have  
15 disappeared from all the world, but at the moment it takes  
16 time.

17 MS. DeCARLO: Okay. On your website for the spec  
18 sheet for the strontium chromate, it says strontium chromate  
19 is compatible with most binder systems. Are these  
20 proprietary binder systems? Or are these binder systems  
21 within the company that you also provide? Or are there  
22 suggestions for buyers to use?

23 MR. ESSELIN: No, I mean the binder, we are not  
24 producer of binder. So it's the resin system that our  
25 customers are using to formulate strontium chromate for

1       their paint an coatings.

2                   MS. DeCARLO:   Okay.   And you agree with the  
3       Petitioner about the chromium trioxide content within the  
4       strontium chromate, and that the CAS Registry number for  
5       strontium chromate is the CAS number for strontium chromate  
6       even with the chromium trioxide presence?

7                   Sorry, I know that's kind of confusing.   So  
8       there's a CAS Registry number for strontium chromate.  
9       However, in all the technical data sheets on your website  
10      and the Petitioner's website, there is chromium trioxide  
11      content present in the product.   It's the percent content of  
12      the CR03.   And so is the CAS Registry number applicable--

13                  MR. ESSELIN:   I think it's not chromium trioxide,  
14      it's hexavalent chromium.

15                  MS. DeCARLO:   Okay, it just says--

16                  MR. ESSELIN:   CR6-plus?

17                  MS. DeCARLO:   Yeah, I'll ask you outside so I can  
18      show you the actual what I'm looking at.   It's not as  
19      important.   Can you also provide in postconference brief  
20      certifications that are for your strontium curve eight like  
21      the ISO standards, or ASTM standards that your product  
22      meets?

23                  MR. ESSELIN:   Yes, we'll do that.

24                  MS. DeCARLO:   And you do not sell any dispersions  
25      of strontium chromate or paste?

1                   MR. ESSELIN: No, we don't do this. Our plant is  
2 not approved to handle solvent, so we can't make it.

3                   MS. DeCARLO: Well that makes it very simple.

4                   Okay, that's it for my questions right now, thank  
5 you.

6                   MR. CORKRAN: Thank you very much. Again, I'm  
7 Doug Corkran and thank you to the panel for your appearance  
8 here today and for all your helpful information.

9                   I have a few questions just to sort of round out  
10 the record on a few things. So, we just heard that you're  
11 not producing the paste or the dispersion form in France.  
12 Mr. Maroon, when you purchase the powder form and you, in  
13 turn, resell it to your customers do you sell entirely in  
14 powder form or do you add the solvent and make paste out of  
15 it.

16                  MR. MAROON: No, as an authorized distributor,  
17 we're not a manufacturer of anything. If we were, we'd have  
18 to have a different license. That would even mean to  
19 repackaging the material from a big bag to a little bag.  
20 That's a round about answer to your question is, no, we do  
21 not alter the product in any way. It's resold as it's  
22 received.

23                  MR. CORKRAN: Thank you very much. That takes  
24 all the way through the line. I just wanted to make sure  
25 about that.

1                   We had some very interesting conversation about  
2     the market developments in Europe. Can you tell me from the  
3     perspective of having to compete with the Austrian producer  
4     what is the affect of a market that appears to be shrinking  
5     in Europe and having a major competitor? What is that doing  
6     to your ability to sell in the EU? What is that doing to  
7     your ability to utilize your facilities to the fullest?

8                   MR. ESSELIN: The European market was shrinking  
9     and now it's stabilized and only the aerospace volumes are  
10    how they are and will stay for a long time. But in the  
11    meantime, actually, the market in Asia Pacific has grown a  
12    lot and this is where we transfer -- most of the volume we  
13    lost in Europe we transferred to Asia Pacific market.

14                  When I started with the company, we were selling  
15    something like 30 percent of our volumes in Asia Pacific.  
16    Now, it's 74 percent and the market is still growing there,  
17    so we are running close to full capacity. So, we don't have  
18    this amount of labor for taking some market share or try to  
19    grab certain customers here and there.

20                  MR. CORKRAN: What is your experience with  
21    competing with the Austrian producer? Mr. Goldfine alluded  
22    to it earlier where in the U.S. market one of the things  
23    that we'll be looking for and providing information for the  
24    Commissioners is a reasonable overlap of competition. What  
25    has been your experience competing with your Austrian

1 competitor, both in the United States and in Europe or other  
2 global markets?

3 MR. ESSELIN: Let we put it this way, as we are  
4 close to our capacity to full capacity, I mean our free  
5 capacity is based on price. So, if I find a market or a  
6 customer who can pay a higher price somewhere, I will drop  
7 some markets somewhere else and take the one which is the  
8 one most profitable for the company. This is the way we  
9 also do with Habich. Sometimes we do. Sometimes we win some  
10 customers with them, but from my perspective this is the  
11 profitability of the sale is the most important parameter.

12 MR. MAROON: I would also add specific to the  
13 U.S. and not speaking for Habich. They're not here to speak  
14 for themselves, right, but from an observatory standpoint  
15 from our sales and marketing team, I can tell that based on  
16 how they go to market, which is different than SNCZ, they  
17 usually, typically go direct to the major three, four, five  
18 guys, consumers, right? And they don't distribute, if you  
19 will. You know we provide the service of logistics and  
20 importing and support and customer service and right  
21 place/right time, all the things that WPC can do because  
22 they're right here.

23 They choose not to work in that fashion from our  
24 experience; hence, we don't see them anywhere else, except  
25 those major guys. They're not at the small customers, per

1 say. That's my opinion. That's our typical exposure.

2 MR. CORKRAN: That's very helpful. Do you see  
3 any distinguishing features in their product relative to  
4 yours? Do they tend to sell dispersions? Does their  
5 product have any distinctive features that set it apart from  
6 yours?

7 MR. ESSELIN: Well, the decision to use powder  
8 or to use dispersion is coming from the customer, whether  
9 they are equipped to use powder and manufacture dispersion  
10 in their own facility or whether they are not equipped like  
11 this and they have to buy dispersion, but there are no  
12 significant differences between their standard grade and our  
13 grade. I know they have two grades with slightly different  
14 characteristics. We have only one for all the markets. And  
15 from their standard grades and our grades, there are no  
16 significant differences in the powder form.

17 MR. CORKRAN: One of the things that we're  
18 looking at and will be looking at are volumes and prices  
19 over the entire period that we're collecting data. And we  
20 talked a little bit about WPC's disruption in supply in 2015  
21 extending into 2016. We'll also be looking at prices during  
22 that period. What was your experience in terms of pricing  
23 in the U.S. market? Did that exhibit what you might expect  
24 in a shortage situation? Did prices move upwards during  
25 that time?

1                   MR. ESSELIN: During that time, so 2015?

2                   MR. CORKRAN: So, say the second half of 2015  
3                   and at least the first quarter of 2016.

4                   MR. ESSELIN: Yes. During that time, yes, the  
5                   prices were higher than what we could get elsewhere. The  
6                   customers were desperate, so they were prepared to pay any  
7                   price for that. Also, I would say with this small pigment  
8                   what is terrible with this small pigment is that the  
9                   leverage for the customer of our customers is enormous.  
10                  It's only 7 percent or 10 percent in a paint, so it's a  
11                  roller coaster in that, but then it goes to our line which  
12                  is a continuous line. And if there is a disruption there,  
13                  then the penalties goes by millions. And this is why they  
14                  were prepared to pay for air freight because even the  
15                  probably hundred thousand U.S. dollar they paid for air  
16                  freight is less than the millions they should have to pay if  
17                  the line was stopping. That's the key point for this  
18                  moment. So, they were prepared to pay any price. We could  
19                  have sold this double the price and they would have said  
20                  yes, but we wanted to establish a long-term relationship  
21                  with customer, not just a spot business, make a lot of  
22                  profit for six months and go away after that.

23                  MR. MAROON: It should be noted that during that  
24                  period and prior to that period I mentioned earlier these  
25                  companies were SNCZ consuming customers of other SNCZ

1 products, just not strontium chromate. Things like other  
2 corrosion inhibitors that SNCZ makes that are for automotive  
3 underbody, auto primers, general industrial, corrosion  
4 inhibitors, but not based on chrome, based on zinc metal,  
5 for example, okay, or some form of those zinc, so we have  
6 many millions of dollars of sales of these other products to  
7 these major potential customers of strontium chromate. It  
8 was logical and it was simple to reestablish -- reengage the  
9 conversation on strontium chromate because of the millions  
10 of dollars of sales we already were established with each  
11 one of them at that time. It was not at all predatory  
12 selling, if you will. It's one more product in the big  
13 bundle.

14 MR. CORKRAN: I was trying to stop short of  
15 predatory, but it was a market situation. But it sounds  
16 like what you're telling me is that your considerations for  
17 your sales took into account more than simply the  
18 availability of the one chemical. There were other  
19 relationships to manage as well. Okay.

20 MR. MAROON: Absolutely correct. And I would  
21 also add that Claude mentioned earlier this is a much more  
22 critical, down the line, right, as far as costing money to  
23 somebody -- the eventual customer of the paint company,  
24 right? But in addition, there's painstaking steps made to  
25 approve products in the first place based on that critical

1 customer, so it doesn't take a week or a month to approve an  
2 anti-corrosive and WPC and SNCZ and Habich had to have their  
3 product approved over time, which has been years ago; hence,  
4 the fact we were already selling these products, as were the  
5 others decades ago.

6 MR. CORKRAN: I think I have one last question  
7 before I turn to my colleagues again. And that is you've  
8 indicated that the supply situation was a factor in the  
9 market. Did either of you gentlemen have companies come to  
10 you and say we would like to increase our business with you  
11 as a result of a supply situation with WPC?

12 MR. MAROON: Absolutely, yes. Yes.

13 MS. LEVINSON: In fact, Doug, that's something  
14 that we can do in the post-hearing brief. Is that what you  
15 were going to ask?

16 MR. CORKRAN: You took my last --

17 MS. LEVINSON: Yes.

18 MR. CORKRAN: Certainly, we give full credence  
19 to what we here, but it also helps to document things too,  
20 so yes. Thank you.

21 MS. LEVINSON: The Petitioner, WPC, described  
22 its own desperation in seeking product and it ended up being  
23 supplied apparently by Habich, but that doesn't mean that  
24 its customers weren't reaching out to SNCZ -- you know to  
25 Mark Maroon, especially, with whom they already had a

1 relationship, to obtain product; but also with a new  
2 understanding of the importance of multiple sources of  
3 supply.

4 MR. CORKRAN: That's helpful. Let me ask,  
5 before I close, one more question. And I was actually more  
6 asking for a reaction. What we heard on the first panel  
7 today was, I think, very open acknowledgement about what the  
8 situation was in 2015 entering into 2016. And I'm  
9 paraphrasing their argument, but their argument was, but  
10 quite a bit of time has now passed since then and this is  
11 really not an ongoing situation. It was an event with a  
12 defined duration. What is your take -- particularly, I  
13 asked them about the issue of reputation risk. What is your  
14 view of that?

15 MR. ESSELIN: I would say that before 2015 WPC  
16 was supplying 100 percent of the U.S. market. And for  
17 reasons we have not mentioned already here today is also for  
18 reason of exchange rate of the U.S. dollar with Euro. If we  
19 look back in the time, Mark reminded me this morning, in the  
20 years of 2006, 2005 we were exporting over two million  
21 pounds to the U.S. market per year, so we had strontium  
22 chromate at this moment and we had to drop the sales because  
23 at this moment the U.S. dollar was extremely weak against  
24 Euro and we were not making any money with the sales in the  
25 U.S., so we had to drop all the sales at this time, except

1 from our aerospace part that we kept for four years.

2 And it happened that also in these years,  
3 2015/2016, the U.S. dollar became stronger against Euro and  
4 we became also more competitive here in the country at the  
5 same time. It's just coincidence, but it happened that we  
6 could be more competitive here with the help of a stronger  
7 U.S. dollar against Euro. And what has changed since this  
8 moment, to answer your question, is that customers relied  
9 100 percent and they realized after the issues of WPC that  
10 they could not rely 100 percent on one single supplier with  
11 one single plant. So, they will never probably come back  
12 again to 100 percent supply from WPC.

13 MR. MAROON: As far as your question about  
14 reputation enhancement or hindrance, hurting, I will tell  
15 you in our business it takes years to build a relationship.  
16 It takes one problem to totally ruin or even kill a  
17 relationship; hence, what WPC mentioned earlier about buying  
18 product from their competition as a late resort and air  
19 freighting it I'd do the same thing. So, you're only as  
20 good as your next transaction, right. Customers don't care  
21 about what you did last year, last month, let alone a year  
22 ago. It's all about today. It's all about service, so the  
23 reputation is really important. Your credibility as an  
24 organization can have irreparable harm by not being able to  
25 service.

1 MS. LEVINSON: I'd like to just add to that.  
2 Based on my conversations with Mr. Esselin yesterday, he  
3 said a lot of customers were never informed by WPC that they  
4 were not producing during the transition period. They were  
5 not informed that all supply was coming out of inventory and  
6 they weren't informed until it came very close to almost no  
7 inventory left. You know in addition to the problem that  
8 created by the lack of supply, there was a problem created  
9 by the lack of communication that made the customers  
10 especially frustrated. Maybe you can add to that.

11 MR. ESSELIN: Yes, this is a point as well. And  
12 were the customers been informed maybe one month before  
13 where they realized that there was shortage at WPC then they  
14 would have time to order from us or Habich from Austria and  
15 have kind of normal shipment by sea shipment and so save a  
16 lot of money instead of having to do air freight.

17 MR. MAROON: I should've added the numbers are  
18 in the questionnaire, but we imported material to the extent  
19 of roughly -- it was almost \$200,000 in air freight for  
20 various customers at that same period in question.

21 MR. CORKRAN: I keep thinking that I'm done with  
22 questions. I really do have one last question. This is the  
23 last. It's a technical question, Mr. Esselin, that you may  
24 not be able to answer right here, but I'm going to put it  
25 out there. You'd mentioned that you import this product

1 under Chapter 32. For the HTS number that is used for that  
2 importation is that the only product that you are exporting  
3 to the United States? I mean the reason I'm asking is  
4 because then we would still -- you know we could still look  
5 at official import statistics from France and isolate it if  
6 that's the only product entering under that number.

7 MR. ESSELIN: No, we have two pigments we export  
8 to the United States under Chapter 32. The other one is a  
9 chromate as well. It's barium chromate, but it's a really  
10 marginal pigment. We export five or ten tons per year to  
11 the U.S. It's a very small item as compared to strontium  
12 chromate.

13 MR. CORKRAN: Okay, so it might be possible to  
14 look at the official import statistics that we have,  
15 including the Chapter 32 number.

16 MR. ESSELIN: Yes.

17 MR. CORKRAN: Okay.

18 MR. ESSELIN: May I add also that we use the 28  
19 Chapter as well for exporting some chromate to the United  
20 States, another one which is zinc chromate, so it's smaller  
21 quantity and it's not included in this petition.

22 MR. CORKRAN: Okay, so actually, let me make  
23 sure I'm getting this straight because it sounds like then  
24 we've got two issues that we're wrestling with. One is the  
25 imports under Chapter 28 from France may not be strontium

1 chromate.

2 MR. ESSELIN: For sure, they are not from us.

3 MR. CORKRAN: For sure they aren't, but imports  
4 under Chapter 32 are?

5 MR. ESSELIN: Yes, correct.

6 MR. CORKRAN: Okay, I just wanted to make sure I  
7 understood what the situation was.

8 MR. ESSELIN: That's always tricky with tariffs  
9 courts.

10 MR. CORKRAN: Let me turn to my colleagues to  
11 see if there are any additional questions.

12 MS. LARA: I just had a quick clarifying  
13 question. If you could in the post-conference brief just  
14 double check if that number is correct because I'm having a  
15 hard time finding it online. And also, for exports to the  
16 U.S. of strontium chromate from SNCZ is the Maroon Group the  
17 only importer or are there other importers you use or do you  
18 sell directly to end users?

19 MR. ESSELIN: For your first question, we'll do  
20 that and we'll clarify the HTS Code Maroon is not the only  
21 importer. In the questionnaire, we mention three names.  
22 Maroon is the primary importer and the most important one.  
23 We have exported in the past years some quantities with  
24 another distributor, LinTech from Macon, Georgia. And we  
25 use also on a regular basis Transwestern Chemicals in

1 California who is serving the aerospace industry there. We  
2 do not sell directly to customers in the United States.

3 MS. LARA: Okay, thank you.

4 MR. CORKRAN: Okay, with that, I would like to  
5 thank the panel. Your presentation today here has been  
6 extremely helpful. We appreciate you coming and testifying  
7 today. Thank you very much.

8 MR. ESSELIN: Thank you.

9 MR. MAROON: Thank you for your time.

10 MR. BURCH: Closing and rebuttal remarks for  
11 those in support of imposition will be given by Jeffrey S.  
12 Neeley of Husch Blackwell. Mr. Neeley, you have ten  
13 minutes.

14 CLOSING REMARKS OF JEFFREY S. NEELEY

15 MR. NEELEY: Thanks a lot. When I found out that  
16 the Austrians, who are clearly the bigger exporter, weren't  
17 gonna show up at this hearing, I was wondering, you know,  
18 what it is that SNCZ was gonna argue. Because, you know,  
19 were they gonna argue for no cumulation? Were they gonna  
20 argue something else? I wasn't really sure. I'd say the  
21 Austrians didn't see fit to come and didn't think they  
22 must've had much of an argument.

23 And what we found out is, what they came to argue  
24 about is 2015. And maybe a little of 2016. They didn't  
25 come to argue about present injury. I mean they argued

1       about what happened two years ago or more. You know, again,  
2       if we had been here -- if this is September of 2016, they  
3       might've had a pretty good argument, 'cuz we didn't know  
4       what was gonna happen.

5               It's now September of 2018, the end of September  
6       of 2018, in fact, and you know, the fact is that there have  
7       been a lot of things that have happened since then. If  
8       there was a reputation that was, you know, hurt somehow by  
9       the shutdown, because it was longer than we expected? I  
10      mean we had a good explanation of what happened, but you  
11      know, people may've been a little bent out of shape, we  
12      understand that.

13             But it's been two years now. And all we've heard  
14      about from customers, as our client testified, is price.  
15      And it has been about price and it continues to be about  
16      price. WPC clearly does not object to having customers have  
17      other sources. It's fine. And we expect that that will  
18      happen, no matter what happens in this case, there will be  
19      other sources in the U.S. market.

20             What we object to is that they have taken market  
21      share away at less than fair value. They've taken it away  
22      based on unfairly low prices. And so, you know, what we  
23      didn't hear very much about today from SNCZ is what happened  
24      in 2017, what happened in 2018? Well, in fact, what  
25      happened in both of those years is that there was severe

1 competition from the Austrians and from SNCZ. There are  
2 only three players in this market.

3 So what happened was, sometimes SNCZ wins,  
4 sometimes more often than, way more often than we would  
5 like, Habich wins and once in a while we win. And so, but  
6 all of those are based on price. So, you know, it was  
7 interesting to hear, "No, we're not really arguing against  
8 cumulation," well, you know, kind of end of game, as far as  
9 we're concerned, if they're not talking about cumulation.

10 I mean it's pretty obvious that this case should  
11 go on, number one. But beyond that, you know, talking about  
12 what's going on, back in 2016 and 2015, well, you know, it  
13 may sound nice and make 'em feel better, the fact is that  
14 what happened was that they got their nose under the tent in  
15 2015, 2016, and then they continued this based on price.

16 And had they gone back to, you know, had they  
17 stayed with a normal pricing situation, I don't think we'd  
18 be here. I mean this is not, as Brent said, this is not  
19 something that our company particularly wanted to do, but we  
20 felt forced into doing it by the really ridiculously low  
21 pricing that we've been experiencing. Yeah, they  
22 established the business in 2015, 2016, but how did they  
23 keep it? That's the real question.

24 We heard from SNCZ, it's about price in their  
25 current testimony. And that's true. I think they were

1       pretty straightforward about it. There were some confusing  
2       things I have to say that come from the Maroon Group. And I  
3       think the Commission should think about it and look at it as  
4       they move forward with the case, I mean, this is a commodity  
5       product. It is based on price according to us, it is based  
6       on price almost exclusively based on SNCZ's testimony.

7               So how could it be that they're way above other  
8       people's prices? I mean, I'd go back and read the  
9       transcript. I don't think I'm mischaracterizing it, but I  
10      think Mr. Maroon was saying, well, you know, "We don't  
11      compete on price. We got other things going on here."  
12      Well, how exactly does that work? With a commodity product?

13             I mean I would challenge them to tell me how that  
14      works. Well, maybe there's a hint as to how it happens and  
15      maybe we ought to be careful. I assume that they have filed  
16      an importer's questionnaire because they are a big importer.  
17      But you should probably look pretty carefully at their  
18      questionnaire and that the prices that you're finding in  
19      their questionnaire.

20             Because he also talked a lot, I mean on more than  
21      one occasion, about bundling. You know, what's exactly  
22      bundling? What's that mean exactly? Are we getting prices  
23      that are truly reflective of the prices of the strontium  
24      chromate? Or are we getting prices that are kind of mushed  
25      together with a lot of other stuff? And you know, are they

1 out of line with what other people's prices, experiences are  
2 or not?

3 Those are the kinds of things, you know, that  
4 raises questions in my mind, you know, I haven't looked at  
5 it, I haven't analyzed it, you know, we'll obviously address  
6 it in the brief, assuming that they filed a questionnaire.  
7 And we'll go from there. But you know, when I hear that  
8 word, it does, you know, make me wonder. And particularly  
9 when we're talking about situation that is that variance  
10 with how a commodity product should be working.

11 So this is sort of the thoughts I leave you with.  
12 Again, I mean, let's not be, you know, taken to the side and  
13 talked about 2015 and historical things. I mean we've  
14 addressed that. We understand there was a problem. We  
15 understand we did everything we possibly could. This is a  
16 company that did not declare force majeure, for example, in  
17 order to get out of its obligations in 2016 with its  
18 customers, which it probably could've.

19 But you know, in fact, it spent a lot of money to  
20 make sure that its customers got product. You know, were  
21 they 100% satisfied? You know, probably not. But at the  
22 same time, that's a long time ago. And what has transpired  
23 since that time in the last two years is, they've been  
24 injured extremely badly and have been put in a very bad  
25 position, which you can see from their financials based on

1       those low prices. Thank you.

2               MR. BURCH: Now rebuttal and closing remarks in  
3       opposition to imposition will be given by Lizbeth Levinson  
4       of Fox Rothschild. Ms. Levinson, you have ten minutes.

5               CLOSING REMARKS OF LIZBETH LEVINSON

6               MS. LEVINSON: Thank you. I'd like to respond to  
7       some of the points that Mr. Neeley made. The first comment  
8       is, he has spent a lot of time today drawing conclusions  
9       about the fact that Habich has not shown up today. And I  
10      just ask the Commission staff to be mindful of the fact that  
11      there is a lot of reasons why a respondent may not show up  
12      at a preliminary phase. And it doesn't mean they don't have  
13      a story to tell. And it doesn't mean they agree with the  
14      petitioners and it doesn't mean they have no defense.

15              As you know, the time period for showing up at a  
16      preliminary determination is extremely quick. The petition  
17      was filed on September 5th. We're only at September 26th.  
18      I just would ask you to refrain from drawing conclusions  
19      about, especially any adverse conclusions or any conclusions  
20      that perhaps are not justified by the record, based on the  
21      fact that Habich did not show up.

22              I'd also like to respond to Mr. Neeley's point  
23      that we're talking about 2015 and 2016. You know, I think  
24      it's extremely important that the Commission be cognizant of  
25      the fact that what companies do in 2017 and 2018 is very

1 much dependent on what happened to them in 2015. They were  
2 burnt. You know, I commend WPC for acknowledging that.

3 You know, certainly, I do agree that they've been  
4 very straightforward about it. But it doesn't change the  
5 fact that customers were burned and customers weren't happy.  
6 And their willingness to go back to WPC perhaps was  
7 motivated in part because they want multiple suppliers and  
8 they wanted domestic supplier. But their willingness to buy  
9 large quantities, which every turn to the status that they  
10 had before with WPC, was probably severely impacted.

11 The latest thing I heard, was Mr. Neeley made a  
12 point about bundling. I feel very confident that Maroon  
13 Group did in fact of course file an importer's  
14 questionnaire. And the prices they reported, I feel very  
15 confident, are the prices for the strontium chromate. But  
16 it might be a little unusual, but I'm gonna ask the  
17 indulgence of the panel to allow Mr. Mark Maroon to address  
18 that himself. Is that okay? Okay, thanks.

19 MR. MAROON: Yeah, I'd like to make one brief  
20 comment, specific to the "accusation" made about my company  
21 does business. First of all, I would say, based on 2015-16,  
22 security of supply became of utmost importance to those  
23 major corporations.

24 MR. CORKRAN: I'm sorry. But to be specific, it  
25 was for the factual issue on the questionnaire.

1           MR. MAROON: Okay, that's price. Specific to  
2 price. Right? And I have to reference the prices that were  
3 referenced by WPC earlier in their conveyance of information  
4 to the panel. Which I heard in the mid-50s, 60s, as far as  
5 where they were at, and they were getting even undercut at  
6 that number. I will state for the record, in '17 and '18,  
7 our sale prices to the one customer we do have are well in  
8 excess of two dollars per pound. And leave it at that.

9           MR. CORKRAN: Thank you. Ms. Levinson.

10          MS. LEVINSON: That concludes our -- thank you  
11 very much.

12          MR. CORKRAN: Thank you very much. So in  
13 closing, on behalf of the Commission and the staff, I'd like  
14 to thank the witnesses who came here today and the counsel  
15 who came here today for helping us gain a better  
16 understanding of the product and the conditions of  
17 competition in the strontium chromate industry.

18          Before concluding, please let me mention a few  
19 dates to keep in mind. The deadline for submission of  
20 corrections to the transcript and for submission of  
21 post-conference briefs is Monday, October 1st. If briefs  
22 contain business proprietary information, a public version  
23 is due on Tuesday, October 2nd.

24          The Commission has tentatively scheduled its vote  
25 on these investigations for Friday, October 19th, and it

1 will report its determinations to the Secretary to the  
2 Department of Commerce on Monday, October 22nd.  
3 Commissioners' opinions will be issued on Monday, October  
4 29th. Thank you all for coming and this conference is  
5 adjourned.

6 (Whereupon at 12:13 p.m., the preliminary  
7 conference was adjourned.)

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TITLE: In The Matter Of: Strontium Chromate from Austria and France

INVESTIGATION NO.: 731-TA-1422 and 1423

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